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SOVIET UNION: DOMESTIC ISSUES AND MILITARY TRENDS

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BEFORE THE

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PREFACE

The Subcommittee on Europe and the Middle East held a series of hearings on United States-Soviet relations during the 1st session of the 99th Congress as part of its normal oversight of issues within its jurisdiction. Two of the hearings, "Domestic Issues in the Soviet Union" and "Soviet Military Trends" are printed together in this volume. A third hearing in this series on "Soviet-East European Relations" was printed together with testimony by The Honorable Rozanne L. Ridgway, Assistant Secretary of State for European and Canadian Affairs, under the title "U.S. Policy Toward Eastern Europe, 1985". A fourth hearing devoted to United States-Soviet relations, "The Soviet Succession: Implications for U.S. Policy", was also published separately. The subcommittee intends to continue these periodic hearings on United States-Soviet relations in the 2d session of the 99th Congress.

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SOVIET UNION: DOMESTIC ISSUES AND MILITARY TRENDS

Domestic Issues in the Soviet Union

MONDAY, JULY 29, 1985

House of Representatives,
Committee on Foreign Affairs,
Subcommittee on Europe and the Middle East,
Washington, DC.

The subcommittee met at 2 p.m., in room 2200, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the subcommittee) presiding.

Mr. **Hamilton**. The meeting of the subcommittee will come to order.

The Subcommittee on Europe and the Middle East meets today on the subject of domestic issues in the Soviet Union, the first hearing in a series of hearings on United States-Soviet relations the subcommittee will be holding between now and the end of the year.

The subcommittee is especially interested in the implications for United States policy of key Soviet domestic developments. What trends should be of concern to the United States and have U.S. policymakers taken them into account? Of related interest is the question of how domestic conditions in the Soviet Union affect, and are affected by, Soviet foreign policy.

We welcome before the subcommittee Dr. Ed A. Hewett, senior fellow, Foreign Policy Studies Program at the Brookings Institution, who is an expert on the Soviet economy; Dr. Walter Connor, professor of political science at Boston University and fellow, Russian Research Center at Harvard University, who is an expert on Soviet social problems; and Dr. Martha Brill Olcott, professor of political science at Colgate University, who is an expert on the question of Moslems in the Soviet Union.

Each of your written statements will be entered into the record in full, and we ask each of you to summarize your statements in not more than 10 minutes before we turn to questions.

We are delighted to have you with us. You may proceed, Dr Hewett.

STATEMENT OF EDWARD A. HEWETT, SENIOR FELLOW, FOREIGN POLICY STUDIES PROGRAM, THE BROOKINGS INSTITUTION

Mr. **Hewett**. Thank you very much, Congressman Hamilton, and thank you for having me here today. My testimony discusses the state of the Soviet economy and, in particular, the strategy that seems to be evolving under the leadership of Mikhail Gorbachev to deal with Soviet economic problems. Gorbachev inherited a fairly long list of problems which have plagued the Soviet economy for some time but which have growing relevance in today's world.

At the top of the list are falling growth rates for gross national product, or national income. Growth rates two decades ago were about 7 percent per annum. Now they are down to about 3 percent per annum and falling. That means that Soviet leaders are faced with choices for defense spending, consumption, and investment, which are increasingly constraining, and for them too constraining, which is one of the reasons they have moved to begin to seriously contemplate economic reforms.

This is also an economy characterized by extraordinarily tight bottlenecks in sectors that are critical to the performance of the system, transportation, health, to give just two examples. Of course, the agricultural sector is also a bottleneck.

This is also an economy characterized by a set of difficulties with the quality of goods and services produced, which are chronic and widespread. They not only lead to many of the quite extraordinary stories of poor quality consumer goods, which have plagued the economy for almost a half century, but also to problems in industry. Even in the core of the Soviet economy, Soviet industrial enterprises find themselves buying inputs from other enterprises which are unusable, and which many times must be discarded or reworked.

Finally, all these problems are related to the general issue that concerns the General Secretary the most, and that is the inability or at least the difficulty the Soviet economy has in innovating, innovating both in the products it produces and in the processes it uses to produce goods and services.

This the General Secretary has identified as the most important problem he faces, and indeed it is probably the most important problem he faces in an age in which his major rival, the United States, has undertaken a space defense initiative predicated on the ability to innovate, to introduce new technology rapidly into not only defense products but other products. An economy like the Soviet Union that is so weak in that area has tremendous difficulties.

The nature of the problem is that enterprises in the Soviet economy outside the defense sector seem incapable, or at least unwilling, to innovate. The cause apparently lies in the fact that Soviet enterprises do not need to satisfy their consumers but must satisfy their ministries. In fact they, develop almost a parent-child relationship with the ministry which sets up the enterprise itself which determines who will be the director and what bonuses he will receive; and in this parent-child relationship there is virtually no pressure, or very little pressure, for innovation itself. The ministries are responsible for seeing that the economy is supplied with various quantities of products, and consequently they are more interested in the quantities of goods produced and supplied in the economy than the quality.

Also because of this parent-child relationship there is virtually no horizontal communication among enterprises in the Soviet

Union. If an enterprise wants a new product in order to introduce an innovation in a product line that it is using, it can't go to the enterprise producing that product and ask for the new product. It has to go through its own ministry, over to the other enterprise's ministry, which then goes down and asks the enterprise to produce the product. This extraordinarily complicated system is, not surprisingly, one that cannot innovate. Gorbachev knows this, and he is trying to devise a strategy to deal with it.

I would emphasize that as far as we can tell, from reading speeches and following what Gorbachev and his more recently appointed associates have said, he does not yet know what he is going to do. He does not have a strategy for how to reform the economy. It is of course conceivable that he has a strategy, but he is not going to announce it until he has the political support linked up to implement the strategy. But I think it is far more likely that he himself is still listening to advice from others, and trying to decide how he will approach the reform of the economy.

There are some general points that have arisen out of Gorbachev's speeches, which are clearly philosophical points for him that he will follow when he introduces a reform.

He is clearly convinced the reform has to be what he calls complex, that is, it has to touch all aspects or all the major aspects of the economy. It cannot just affect enterprises, but also has to affect what ministries do, what the planning authorities do, how the price system operates.

It will be a reform that gives enterprises much more room for maneuver and simultaneously gives them much more responsibility for what they do. That has to be done simultaneously; giving enterprises room for maneuver in this system without making them pay for their mistakes could be disastrous.

Finally, he has decided—and I think this is one of the most interesting parts of the strategy—that Soviet industry itself will have to support the modernization of Soviet industry. He is trying to devise a strategy whereby most of the innovation will be based on Soviet technology, or at least Soviet-developed technologies, and he does not intend to rely heavily on imports from the West.

The complexity that he talks about in reform is his most difficult problem, and it is clearly the area where past efforts by Soviet leaders to reform their economy have led to failure. To try to change what enterprises are responsible for in the economy, without at the same time altering what the ministries are supposed to do, creates strong incentives for ministries to reassert their authority over the enterprises and take away whatever autonomy they have been given in the short run.

If planning authorities are expected to do everything as they have done in the past, then even if the ministries are told to do something different the planning authorities reassert their authority over the ministries who reassert their authority over the enterprises. The complexity he talks about is clearly the critical issue.

Now, very briefly where does he seem to be going? Obviously, he is moving toward a set of changes which will be rather major. But he is not moving in the direction of radical reform, even as radical as we have seen in Hungary over the last 15 years. He is a politician, and as a politician he knows there is a tremendous amount of fear within this society about chucking out a system which over the last half century has done so much to make the Soviet Union the great power it is today.

However much Gorbachev may feel that the system which has gotten them where they are is not the system to take them into the 21st century, he is still going to have to prove that point rather than asserting it, which is why the reforms he will introduce are probably not going to be terribly radical, but nevertheless will not be minor: a number of personnel changes, major changes in policy and also changes in the system. He will probably announce those reforms sometime later this year, and at the latest early 1986.

The policy implications for the United States that are bound up in these reforms are of two sorts: short term and longer term. Over the short term it is my conviction that when Gorbachev begins to move toward modernizing the Soviet economy, whatever reform measures he introduces, he is going to find it virtually impossible to rely totally on Soviet industry to allow him to do that. To undertake the transformation he has to undertake in the machine tool industry, in the instrument-making industry, and to do it essentially this year and next year, in order to support a modernization of Soviet industry going into the late eighties is, I believe outside of the possibilities that he has, and he is probably already learning that.

The implication is that, to the extent we see a vigorous effort to reform the economy, we are also going to see a rapid increase in the demand for manufactured goods on Western markets—machinery and equipment, medium, sometimes high technology. That means that we in the United States could be facing once again an issue similar to that which we faced in the pipeline dispute in the early 1980's. That is, the Soviet Union may be coming out and promising to Western Europe and Japan large orders for machinery and equipment, asking for large credits.

Much of the machinery and equipment will be going through Cocom, and we will be faced with the issue of whether or not we want to support this reform effort in this way, or more importantly, whether or not we will allow our allies to do so without engaging in another major altercation. I think the chances are increasingly high that that is on the horizon, and we should be thinking about it.

In the longer term—longer term for me being say a decade or a decade and a half—I think it is easier to say what we are not going to be worrying about with the Soviet Union. I do not think we are going to be faced with a reformed Soviet economy which will be performing far better than it is performing now, which will be out there competing with us in manufactured goods. We are not faced with a Soviet Union which could be another Japan for us in this century. What we are faced with, I think, is the possibility that a Soviet economy which is reforming will be performing because of that adequately enough—not more than adequately but adequately enough—having great difficulties in keeping up with us in the military competition, but nevertheless making changes that may begin to show up on export markets, and may begin to show up in the relations with Eastern Europe, Western Europe, and Japan.

Thank you.

[Mr. Hewett's prepared statement follows:]

PREPARED STATEMENT OF EDWARD A. HEWETT, SENIOR FELLOW, FOREIGN POLICY STUDIES PROGRAM, THE BROOKINGS INSTITUTION

> "...we today cannot help but think about the perspective development of the economy. Life presents us with a task of enormous political significance: moving the economy onto a qualitatively new scientific-technical and organizational-economic level....There are no alternatives. Only an intensive economy, growing on the basis of the latest science and technology can serve as a reliable material foundation for raising the welfare of workers, guaranteeing the strengthening of the country in the international arena, allowing it to deservingly enter the next century as a great and prospering power."
>
> Mikhail Gorbachev, December 10, 1984

By its own choice the Communist Party of the Soviet Union has taken full responsibility for the economy, in all its details. If prices rise, crops fail, or consumer goods don't work, it is the party's fault. It is for that reason that any General Secretary of the party must constantly treat the economy as one of his highest priorities. Thus it is not surprising that Mikhail Gorbachev spends much of his time talking about, and trying to do something about, the economy. In that he is no different than his predecessors.

Clearly Gorbachev is different from his predecessors in style. He is more willing than any recent Soviet national leader, with the exception of Andropov, to talk frankly about Soviet economic problems, and to listen to various ideas on how they might be resolved. His impatience with the bureaucracy and some of its more dogmatic and visible representatives is palpable. He clearly intends to galvanize the bureaucracy into action through prodding those capable of doing better and pensioning off those who are no longer up to the task.

Aside from style, there is an interesting way in which Gorbachev's vision of the importance of economic reform seems to differ from his predecessors. In Gorbachev's speech on idealogy last December, he chose to spend most of his time talking about the economy. In the snippet quoted above he struck on a theme which he has reiterated in some form in almost every speech on the economy since then. To paraphrase: "the weakness of the Soviet economy affects not only support for the party at home, it has important implications for Soviet National security and Soviet status as a superpower." Gorbachev, it would seem, has concluded that the centrally planned economic system which has successfully industrialized the Soviet Union and made it one of the world's great military powers, is not the system capable of maintaining Soviet superpower status. If the Soviet Union is to compete with the U.S. Space Defense Initiative, compete with the U.S. and other western countries for economic and political influence around the world, and satisfy the growing demands of an increasingly sophisticated population, then it must reform an economic system that can only be characterized as a half-century old anachronism.

What is important here is the explicit link between economic reform and national security. Patriotism is an awesome mobilizing tool in the Soviet Union and Mikhail Gorbachev seems to be in the process of defining economic reform as "patriotic."

But what kind of economic reform program is he likely to propose, and what affect will it have on Soviet economic performance? How will that in turn affect the Soviet defense effort, and Soviet relations with the West? And what are the implications of these developments for U.S. perceptions of, and policy towards, the USSR?

The Nature and Causes of Soviet Economic Problems

The Soviet leadership's dissatisfaction with the performance of the economy dates back several decades, and has been remarkably stable over time. Outside of the defense sector (which is a special, high-priority, sector) the quality of goods and services produced is highly variable, and generally low. Many goods in high demand are in short supply, or not available at all; at the same time goods in low demand are produced and stacked in warehouses. Some basic, and highly visible, sectors of the economy are perennial sources of bottlenecks sometimes slowing production throughout the economy: transport, housing, food and health-care to mention a few. Fuels and raw materials produced at rapidly escalating incremental costs to the economy, are wasted by Soviet enterprises.

Possibly most unsettling to Soviet leaders is the persistent slowdown in national income growth rates. Using Soviet statistics, national income growth rates have fallen from an average of 7% per annum in the 1960s to about half that rate today, and there is good reason to believe that absent major policy changes they will continue to fall. The economy is even losing its ability to expand the availability of variable quality goods for consumers and enterprises. This leads to increasingly difficult choices for Soviet leaders. As national income growth rates fall, so must growth rates of consumption, investment, and defense expenditures. The decline in investment growth rates leads to falling growth rates in the economy's productive capacity, which in turn further pushes downward the national income growth rate. Falling growth rates for consumption weaken labor incentives, which can feed back on labor effort, and also put downward pressure on national income growth rates.

The Role of Exogenous Factors

Some of the problems with Soviet economic performance are obviously related to the economic system itself--the poor quality of output being a good example--while others reflect primarily factors which operate more or less independently of the economic system. Falling growth rates are an example of the strength of external factors. Soviet labor force growth rates are falling, echoing the fall in population growth rates. Between 1960 and 1970 the Soviet labor force expanded at a rate of 3.8% per annum; in the 1970s that rate fell to 2.2% per annum; in the 1980s the rate will be less than 1% per annum. And much of the addition to the labor force will be in the Asian republics while of the capital stock is in the European republics. This decline in labor force growth rates deprives the system of one source of growth.

The other primary input, capital (buildings, machinery and equipment) is also growing more slowly as investment growth rates fall. (In the 1960s investment growth rates were in the range of 7% per annum; today they are 3-4%). The productivity of new capital is also apparently falling, meaning that a ruble's worth of investment, which results eventually in a ruble's worth of new capital stock, allows a smaller increment to national income today than it did five years ago, and that is smaller than five years before that, and so on. One rough measure of that is to compare the growth rates of capital stock and national income. In the 1960s capital stock and national income were growing at approximately the same rates, a little under 8%. In the 1970s capital stock growth rates continued at about 7.5%, but national income growth rates fell off to a decadal average of about 5%. The trend appears to be continuing in the 1980s.

The fall in capital productivity is in part a natural reflection of diminishing returns which result as economies mature. An additional exacerbating factor in the Soviet case is the shift in investment (and therefore capital) towards the raw materials and fuels sectors, both of which have very high capital to output ratios, which are rising rapidly as the quality of exploitable deposits falls (also a natural consequence of maturation).

The only way the Soviet Union can manage to even stabilize growth rates, let alone raise them, is to introduce productivity innovations at a sufficient pace to counteract the downward pressure of falling labor force growth rates, falling growth rates in additions to the capital stock, and falling capital productivity. This is one of the threads that leads to Gorbachev's emphasis on the need to strengthen innovative performance of the Soviet economy. He wants higher growth to meet defense, consumption and investment needs, and he knows that he can only get that through productivity increases which result from the introduction of new innovations to the economy.

But Soviet leaders' dissatisfaction with the performance of their economy is not limited to a concern over falling growth rates, howsoever important that may be. They are also concerned about chronic problems in the quality of Soviet manufactures, which not only affects consumer welfare, but also inhibits the smooth functioning of the Soviet economy, and severely limits the Soviet ability to sell manufactured goods in western countries. The deservedly poor reputation of manufactured goods from Soviet civilian enterprises means that the Soviet Union is in the anomalous position of being one of the world's major powers, yet still relying heavily on one "crop" (energy) for 3/4's of its hard currency export earnings. That is hardly the export profile of the prosperous world power Gorbachev would like the Soviet to be.

Similarly the problems in agriculture are a major source of concern for Soviet leaders, yet have little to do with aggregate growth rates. Extraordinary losses of food during storage and shipment, poor farming methods on state-owned land, and high sensitivity to (altogether unsurprising) variations in weather are all chronic problems in that sector which Soviet planners have been trying to address for years.

Finally, if Soviet planners could manage to induce the system to produce goods in a wider variety and of generally higher quality, they could deal with some of their problems with the population, and find more export markets for their manufactured goods. In the result growth rates might not rise all all; indeed they might even fall. Yet reforms leading to quality improvements of this sort would clearly be regarded as successful by the Soviet leadership.

The Role of the System Itself

Aside from exgenous factors, it is basically the economic system itself which lies at the root of the economic problems discussed here. The core of that system is the industrial enterprise (or association of enterprises, but I will just use the term "enterprise") and the incentives its management and workers encounter as they make decisions on what they will produce, what investments they will make, and so on. The enterprise is the heart of the economy, so it is there one would expect to find the heart of Soviet economic problems.

Soviet enterprises operate in an enormously complex bureaucratic web. Even a fairly simplified description of that web is the proper subject of a book, and only the most important elements will be discussed here. First it is necessary to have in mind the basic cast of characters:

1. Enterprises are the basic economic unit in the system, founded and supervised by state organs. Important enterprises producing goods of national significance are supervised by all-union ministries (ministries whose authority reaches into all fifteen republics).

2. Fifty-one all-union ministries have direct responsibility for the operation of enterprises under their jurisdiction, which means enterprises in a particular subsector (ferrous metallurgy, petroleum, and chemicals, for example). In most cases the ministries work through intermediate authorities set up to manage various closely-related sub-groups of enterprises. These All-Union Industrial Associations, known by their Russian initials "VPOs," are the direct supervisor with which enterprise management deals on a daily basis.

3. Gosplan, the State Planning Committee, constructs an annual plan controlling the bulk of economic activity every year. It does this by coordinating and guiding bargaining among the ministries, their intermediate authorities, and individual enterprises. The annual plan, which in theory (though not always in fact) is completed late the year before it applies, is approved by Soviet parliamentary institutions, and passed down through ministries and VPOs to enterprises as obligatory targets.

4. Gossnab, the State Committee for Material-Technical Supply manages the actual flow of commodities among enterprises.

5. Goskomtsen, the State Price Committee, is responsible for setting prices.

6. In theory the highest economic authority is the Council of Ministers, on which the fifty-one economic ministries sit, along with other ministerial-level bodies and the Prime Ministers of the fifteen Soviet republics. In fact, while the Council of Ministers is an important administrative body, the Politburo of the Communist Party of the Soviet Union makes all important strategic decisions which set the agenda for planners when they construct five-year plans, the (operational) annual plans, and when they make decisions concerning implementation of the annual plans during the year they are in force.

The logic of the system is clear. Political leaders set priorities and make the most important strategic economic decisions. Gosplan and the ministries work out a plan consistent with those decisions, which is passed through the ministries to the enterprises in the form of obligatory targets. The enterprises do as they are told.

Numerous mechanisms are in place to ensure enterprises' obedience to the center's wishes, as they are filtered through the ministry. First, the fate of an enterprise is in the hands of the ministry: it establishes enterprises, can force them to merge with others, and can close them down; it appoints enterprise management; it determines bonuses for top management;

and it determines whether the enterprise will have an easy or a hard plan each year. The ministry-enterprise relationship in the Soviet Union is a parent-child relationship, with all the dependence that implies.

Secondly, performance of the first secretary of the local party organization in the region where the enterprise is situated is judged in part on the performance of enterprises under his jurisdiction. He, and the subordinate party committees (reaching into the enterprise itself) will therefore take an interest in the enterprise's performance, and its plan fulfillment record.

Finally, the plan which is sent to the enterprise includes not only a multitude of targets, but also bonus schedules for workers and management attached to the most important targets if they are fulfilled or overfulfilled. This adds a financial incentive for the enterprise to do its best to fulfill the plan it receives from the center through the ministry.

And yet, this system seems incapable of inducing enterprises to undertake serious efforts at innovating the production processes they use or the products they produce. Why?

The issue of the rate and structure of innovative activity in an economy has several different aspects to it. There is first the question of the development of new products: are enterprises developing products which conform to customer's demands? Are the enterprises aggressively developing new products with their customers' future needs in mind, and then marketing the new products?

The other aspect is innovation in production processes used in factories in order to improve the efficiency of production, or its quality, or both. In part this is the mirror-image of the development of new products: a factory innovating a production process will generally need to purchase new machinery and equipment from other enterprises. But the issue is broader than that, touching on the willingness of enterprise management to search out and implement new more efficient ways to do what they are doing.

Finally, an obvious point deserves stressing: everyone in this system is both buyer and seller: as sellers, enterprises are under pressure to introduce new products; as buyers they are part of that pressure. Individuals work in enterprises and take part in innovative decisions; yet individuals are also customers of the output of the factories.

In western countries where innovative activity is constant, and constantly leads to increases in efficiency and quality, the hallmark would seem to be that buyers and sellers are interlocked in constant communication, with the strong incentive that successful innovations can raise profits, and reluctance to innovate can lead to failure. Innovation is not a recreational activity in western economies; it is a necessity for economic survival. The two key elements here are competition, and direct customer-supplier links.

Clearly the Soviet system as it is described here is virtually the antithesis of those two requirements. Horizontal communication between buyer and seller is sporadic and ineffective; buyers who want new products must go through their own ministry, which in turn contacts the ministry supervising the supplier, which in turn contacts the supplier. Competition is virtually non-existant: the ministry is the parent; the enterprise the child. The ministry has every incentive to make sure somehow that the enterprise survives to fulfill the tasks that it (the ministry) receives from the center.

This, then is the situation at present. Soviet leaders see western countries able to generate innovative activity which makes their products competitive on world markets, provides ever new consumer goods to the population, and underpins a potentially awesome transformation of their defense capabilities. Gorbachev wants to emulate that innovative activity, but do so while maintaining the basic characteristics of the current planning system. Can he do it? If so, how?

Gorbachev's Evolving Economic Strategy

Judging from his public statements, Gorbachev's thinking about how to approach this problem is still evolving. It is possible he has a well-developed strategy which he has not yet revealed until he can build a political coalition which will support it. But I think that unlikely; it seems more plausible that he is listening to advice, pondering alternatives, and discussing possible approaches with political leaders.

Several basic principles have already emerged, either in direct public statements, or by implication in his speeches. First, the reform must be "complex," that is, it must touch all aspects of the economic system. Second, the focus of the reform is to design a system which provides enterprises with much more room for manuever than they now have, and simultaneously creates strong incentives for them to use their new-found autonomy to increase their efficiency, and respond much more quickly and fully to customer demands.

Third, the technological transformation of Soviet industry, involving the rapid expansion in use of robots, numerically controlled machinery, microprocessing technology in general, must be accomplished primarily through domestic industry. This does not preclude reliance on imports in certain areas, but clearly it is Gorbachev's intention to rely on the Soviet machine-building industry to provide the bulk of the new technology which Soviet enterprises in the reformed system will demand.

The issue of the need for a comprehensive (or "complex") reform is surely the most important one facing Gorbachev. Any effort to expand enterprise autonomy by reducing the number of plan indicators—giving enterprises easier access to investment funds, changing plan indicators to more closely reflect customer satisfaction with enterprise products—must simultaneously restrict the ability of ministries to interfere in enterprise decision-making. More importantly, it must alter the tasks given to ministries so that they will have less incentive to interfere in enterprise operation. If, for example a reform says that ministries can no longer send enterprises obligatory targets for the output of key products, then simultaneously Gosplan must be told that it can no longer send targets for outputs of particular products to ministries. Or, more generally, if decisions on the activities of an enterprise are to be made primarily at the level of the enterprise, then at the same time the central expectations placed on ministries regarding the behavior of their enterprises must to be considerably loosened. It is not possible to hold a minister responsible for the performance of "his" enterprises and, at the same time, expect him take a hands off approach toward the operational decisions of enterprises under his authority.

Reaching one step further back in the chain of linkages, it is clearly required that Gosplan change its mode of operation, switching from product-specific planning for balance, to a more aggregated form of macroeconomic planning. If Gosplan is still to be held responsible for seeing that supply and demand balances for key products, then it will have to have ministries though which to send orders to enterprises. If the center tells Gosplan it can no longer send obligatory targets to ministries, but that nevertheless it must see to it that supply and demand is in balance for key products, then Gosplan is an impossible situation.

Going two steps forward along the chain of linkages, if enterprises are given more room for manuever in choosing what products they produce, and to whom they sell, then the price system shall have to be a flexible and accurate indicator of supply and demand conditions. This really means that enterprises should have the right to set their own prices since Goskomtsen could never have sufficient information or computing power to run a price system with sufficient agility to follow rapid changes in supply and demand conditions for a multitude of products. But simultaneously it means that competition must be strong enough to make sure that no firm can make monopoly profits.

Soviet reform efforts in the past have floundered on insufficient respect for these interconnections. The "Kosygin" Reforms introduced in 1965 sought to drastically reduce the number of obligatory plan indicators ministries gave to enterprises; yet the role of ministries was not changed, and they quite naturally managed to use other means to maintain control over all major aspects of enterprise activity.

Experiments with enterprises in selected ministries begun in 1984 and expanded this year have run into strikingly similar problems. Enterprises under the experiment are supposed to receive only a few plan indicators, which will remain stable for some time, allowing them to plan ahead. The most important indicator (and a major source of bonuses) is the fulfillment of delivery contracts, which enterprises are supposed to complete in close negotiation with their customers. But in a rather curious repeat of the

1965 experience, the ministries saw no major change in expectations from the center about what they should do, and they have continued to interfere in enterprise activities in detail, and frequently, as they had in the past.

The memories of previous reform efforts, and the experience with the experiments, have focused a tremendous amount of unfavorable attention on the ministries and in particular on the VPOs. Gorbachev has indicated the the VPOs should be eliminated so that the ministries can deal directly with enterprises. It is now commonplace in articles on economic reforms that the author will point to the ministries as a major part of the problem. No doubt there is something to this. Even if the center were to formally change its expectations about what ministries do, the ministries themselves constitute huge bureaucracies with a strong (and self-serving) conviction that enterprises should be very closely supervised. In 1965, and in the recent experiments, the ministries were clearly a major impediment to implementing the reforms not only because the center did not adequately change its expectations, but also because the ministries are reluctant to give up their considerable powers.

It is clear that Gorbachev will introduce some sort of reform package within the next year, and that its centerpiece will be an expansion in the rights of enterprises to make decisions, and much stronger incentives for them to decide in favor of aggressive innovative operator. But the likelihood that the package will actually be implemented, and that the reforms will survive, depends in part on how truly "comprehensive" they turn out to be. The discussion above suggests what to watch for:

1. What happens to the ministries, and the definition of the role of ministries? If, for example, Gorbachev eliminates the VPOs, and tells the ministries to deal directly with enterprises, then simultaneously the ministries must be given far less specific targets to fulfill. If expectations about what ministries do does not change in that direction, they will simply have to reinvent the VPOs, and call them something else; the task of enforcing so many indicators is too difficult to be handled directly by the ministry.

2. What happens to the price system? If the old system is retained, in which Goskomtsen retains the role as the main price-setter, then the reform is in trouble. Prices will change infrequently, and will rarely accurately reflect current supply or demand considerations. Enterprises will be misguided in their decisions, producing some goods which are not in demand, and not producing other goods which are in high demand. That will then create pressure for the government to intervene through the ministries, which will lead back to the old system.

3. What role does Gosplan play? If Gosplan continues as it has in the past to act as the major equilibrating mechanism in the system, then it will need the ministries to realize its tasks, and the ministries will need to interfere in enterprise activities.

It is too early to predict with any hope of precision what Gorbachev might do, but it is possible to put some bounds on the alternatives. He is going to do something; doing nothing is not an active option. He, and indeed most of the leadership, is so dissatisfield with economic performance that there is a virtually unanimous consensus in favor of action.

It will be something major. There is every indication of a disenchantment with minor partial reforms, and a conviction that major reforms are the only responsible course.

It will involve not only reforms in the system, but also major personnel changes, and changes in policy. For example it is fairly clear that investment policy is being changed in ways that will favor manufacturing and take resources away from the production of fuels. That in turn suggests a stepped-up conservation campaign, which is already under way.

It will not be a total rejection of the old system, but rather an attempt to rationalize it. Do not expect, for example, the abolition of Gosplan and ministerial system, and a move towards fully independent enterprises out to make profits. The most radical published proposals in the Soviet economics literature (which is publishing some fairly radical material by past standards) call for an amalgamation of ministries into a much smaller number, with a smaller staff, and with considerably reduced responsibilities and powers. One of the more radical variants would, for example, have a Ministry of the Economy to supervise most of industry, focused on encouraging innovations in industry, and not involved in any way in issueing specific plan directives. But even in proposals such as these some key sectors would remain under the old directive planning system—fuels, transport, and materials for example—in order to ensure stability in basic inputs used throughout the economy. Gosplan would remain and would control major macroeconomic variables: the savings rate, the rate of investment, and major structural trends in the system.

These radical proposals would move the Soviet Union very far in the direction of the Hungarian economic system, which is just one reason why Gorbachev is unlikely to go that far. He is operating in a political environment in which there is tremendous opposition to, indeed considerable fear concerning, a radical departure from a system which has seemingly served the Soviet state so well over the last half century. No matter how rational the arguments Gorbachev can muster in favor of the notion that the future will differ significantly from the past, it simply doesn't make political sense to believe that he can literally chuck out the entire system and survive politically. He needs to take at least one serious pass at rationalizing the existing system, before he discards it.

And that is what I suspect we will see in the Gorbachev reform package: fairly major surgery on the system, which will change a great deal, while retaining the essence of a top-down directive system. Such a reform is unlikely to be a fully adequate response to the problems Gorbachev so clearly sees with his economic system. But with new personnel, and vigorous leadership, we should not exclude the possibility that the results could be a major improvement over what exists now.

Policy Implications for the U.S.

There are several direct policy implications of Soviet reform efforts for the U.S., and the effects on the context for U.S. foreign policy could be important. Before turning to those it is important to note that one of the major engines driving the current Soviet reform discussions is the U.S. Space Defense Initiative. Gorbachev is using SDI as a very effective symbol of the U.S. ability to use science and technology as a military and economic weapon; and he is seeking to construct a reform program which will allow the

Soviet economy to acquire that same weapon. Purely from the point of view of pushing economic reform through the political thicket in the USSR, Gorbachev needs SDI (although he could surely do without it from most other points of view).

The mere effort to undertake a new reform, and to stimulate innovative activity in the USSR is likely to stimulate Soviet demand for foreign technology rather dramatically. Even if Gorbachev succeeds in significantly improving the performance of the machine-tool industry in the USSR, it still cannot happen rapidly enough and on a broad enough front to fully support a modernization of Soviet industry in this decade. That will have to be done with a combination of domestic and foreign technology.

That will raise two types of issues for U.S. policy rather soon. Many of the new technologies will be on the COCOM list, and we will be drawn into a conflict with our allies over exceptions to the list, another revision, and so on. This is not a new story, but the promise of potentially large new Soviet orders of machinery and equipment could lead to an ugly argument not unlike that which surrounded the pipeline.

The related issue which will arise concerns state-supported credits. It would be fully in character for the Soviet Union to make it known that its orders for machinery and equipment will be related to credits available, thus starting a rush to provide credits similar to that which preceded sales of pipeline equipment a few years ago. Such a strategy is all the more likely now that energy prices are low and falling, increasing the pressure on Soviet balance of payments, and increasing the incentive to go to western capital markets to finance a new investment program.

These two issues will, in turn, lead to a reprise of the periodic argument the U.S. has with its allies over whether or not it is wise to aid the Soviet Union in developing its economy, even when that "aid" consists of credits at decent rates and the provision of modern machinery and equipment. The U.S. position on this will be complicated by the fact that a successful modernization of Soviet industry, combined with a successful economic reform, could considerably enhance Soviet capabilities to compete in defense-related technologies; at the very least it would reduce the cost to the Soviet economy of such competition.

All of these issues will arise whether or not Soviet reform efforts are successful. The mere attempt to modernize Soviet industry will perforce drive up Soviet import demand for machinery and equipment, at least in this decade. But then, what are the chances of a successful reform?

A successful reform will take years, probably decades, to implement. The Hungarians are still trying to fully realize the goals they posited in 1968, and as yet they are still far from achieving those goals. The Soviet problem is even harder. More than a half century of the old system has left a legacy in habits of thought and social expectations about the economy which will not be eradicated with a few decrees. Truly comprehensive reforms of the Soviet system are probably a decade or so away from beginning, and it could be well into the next century before they bear fruit.

In this decade, and probably in this century, our problem will not be how to deal with a successfully reformed Soviet economy, performing far better than in the past, in ways presenting a formidable economic challenge to us. The Soviet Union will not soon be another Japan for us. Rather, the issue for us will be how to deal with a Soviet economy in the process of reform, still performing adequately, but no more than that, and trying simultaneously to keep up with our defense efforts.

Mr. HAMILTON. Dr. Connor, we are glad to have you, sir. You may proceed.

STATEMENT OF WALTER D. CONNOR, PROFESSOR OF POLITICAL SCIENCE, BOSTON UNIVERSITY, AND FELLOW, RUSSIAN RESEARCH CENTER, HARVARD UNIVERSITY

Mr. CONNOR. Thank you, Mr. Chairman. I will read the introduction to my prepared statement, summarize the middle, and go back to the statement at the end. Sixty-seven years after the Bolshevik Revolution, 32 since the death of Stalin, and in the fourth month of Mikhail Gorbachev's leadership, the Soviet Union is showing clear signs of age, wear and tear, and a lowering of popular morale. Whether these are symptoms of a debilitation so profound as to be irreversible is doubtful—surely, the West, and the United States, should not rely on the Soviet problem being self-liquidating.

But nor should we assume that a new, physically dynamic, and moderately photogenic Soviet leader will suffice to turn the Soviet Union around, to "get Russia moving again." The depth and gravity of a number of the problems affecting Soviet society today amount to real dilemmas, critical choices for Gorbachev and the leadership, with no guarantee available that regime actions will produce the results leaders want, or, if they do so, will not create in their train new problems those leaders never anticipated.

I would like to quickly look at four problem areas. The first is the one of Soviet proclivities, and historic Russian proclivities toward alcohol, its abuse, and what this has done to the fabric of Soviet life. Certainly the accounting, in terms of damage to health, damage to economic production, damage to the whole functioning of the Soviet economic and social system is a large one, and Soviet writers themselves don't deny this.

What we have seen at the beginning of the Gorbachev era is a decree from the central committee in May of this year, supposedly cracking down on a number of practices and pathologies that have built up over a long time: the drinking age is being raised to 21; harsher punishments for moonshining, for after hours, illegal sale of alcohol, an intensified campaign of what the Soviets call antialcohol propaganda and some new sorts of medical treatment measures introduced.

The most interesting thing about the decree, once you go beyond the rhetoric, is that virtually every one of these measures has been tried at various times in the past. None of them have really yielded the results that were first expected. The Soviet alcohol problem has been growing over the years. For about the last 15 years, per capita consumption has increased by about 4½ percent a year. That is a tremendous rate of increase compared to other countries, and we are looking at a country which, while it only ranks about seventh or eighth in terms of general alcohol consumption per head among the countries of the world, ranks very close to the top in the percentage of alcohol consumed in the strong, highly distilled forms.

Why would the state live with this? Why has it lived with it so long? Well, it is the arithmetic of the bottom line to a certain degree. Things are taken away by virtue of alcohol abuse but the state gets back roughly 98.5 percent of the price of a bottle of vodka in tax revenues, and the tax revenues in total from the state sale of alcohol amount to 12 to 13 percent of total Soviet state revenue, something roughly equal to what they claim as their defense budget.

There doesn't seem to be any way that the state could make good the shortfall on revenue from alcohol sales or, given the shape of the Soviet economy, provide other consumer goods that might be put on the market to soak up that purchasing power. So I do not see, under the Gorbachev leadership, a massive breakthrough on this front.

The second problem is education. The Soviet Union is now in the course of an educational reform begun in 1984, which aims at rechanneling a large number of 15-, 16-, and 17-year-olds who have been attending academic high schools in the Soviet Union, in the hope of making it into a university.

They are in the process of tracking these people into vocational technical schools, a kind of trade school education, for the last 2 to 3 years of their secondary schooling, and directing them into the blue-collar factory labor force, responding to some degree to the short-term and medium-term exigencies of the labor shortage.

What this involves is a more active, more interventionist tracking of large numbers of Soviet youth, many against their will, into the prospect of joining, if they are working-class children, their fathers in the factories, and certainly tracking them away from the university education that in the highly bureaucratized Soviet society is a key to economic status and elevated occupational status.

We are only at the beginnings of this process now, but it is one that promises to reshape the life and prospects of a number of Soviet young people, with what would seem to be a tremendous potential for frustration as this goes on.

A third area that has gotten a lot of attention in the West and in the Soviet Union ever since two successions ago, when Andropov came on the scene, is the question of law, discipline, social order, whether Soviet society is ready, is waiting for someone to take a strong hand in control, to mobilize effort in directions that are important, give people the feeling that the country is moving again, that the corruption, the slacking, the negatively laid-back quality of the late Brezhnev years is a thing of the past.

Gorbachev seems to be employing the same kind of rhetoric in this area as did Andropov, and that Chernenko let off on to some degree during his interregnum. The problem here, I think, is that the kinds of practices that many of the statements condemn are ones that are built into the warp and the woof of Soviet life. They are ways whereby citizens bridge the gap between what the rules of the system ostensibly allow them to do, and practical ways of achieving what they see as their needs, their families' needs in everyday social life.

Interestingly enough, a study—in a Soviet journal—of public opinion on certain aspects of the law published a few years ago asked people, a sample of Soviet citizens, how they felt about certain legal prohibitions. Did they actively support, for instance, a law against salesgirls taking bribes for under-the-counter goods in a shortage economy? Only about 12 percent thought that salesgirls should be prosecuted for that kind of thing.

What about the repairman who comes to your apartment and fixes your appliance but doesn't send the money back to the state repair agency, his ostensible employer; instead, pockets a higher fee, retains it in the second economy? Only 4 percent of the sample thought those people should be prosecuted, and the reason really is fairly obvious: Because they depend on these services, because these are, in a Soviet sense, victimless crimes wherein both the payer and the person doing the work collude in the advancement of their common interests.

Any attempt on the part of the regime to really crack down on this is going to generate some real problems of social morale; something rather evanescent, hard to get hold of but nonetheless really affecting the prospects, I think, for any large-scale change within the Soviet Union.

The fourth problem is that of living standards and opportunity for career advancement on a broad scale in Soviet society today. Just two things really to be said about this. Living standards are stagnating. They would seem to be falling. They are certainly very much above where they were when Stalin gave way to Khrushchev in 1953, but those days really are history for larger and larger numbers of Soviet citizens, who don't know as adults those pre-1953 years, and who more and more see a good deal of their more recent life taken up in years when things haven't been getting better, when things in fact have been getting shabbier, more threadbare or at best staying more or less stable.

I am not talking about the revolution of rising expectations, but simply of violated expectations that were based on the more impressive economic performance of the Khrushchev years, and of the earlier Brezhnev years.

The same slowing of economic growth which touches living standards affects as well the long-term opportunity for the sort of upward mobility that has been a major social phenomenon through most of Soviet history. Even under Stalin, under economic poverty and political repression, many peasants became workers. Many people of a working-class background became professionals, became bureaucrats, became white-collar people.

That amounted, if you look at the social history, to a massive transformation of Soviet society in its early years. A lot of desires to advance, a lot of aspirations to excel, among Soviet school children and their parents have been based on that past performance, a performance that can no longer be delivered by slow economic growth, which also slows the degree to which the labor force changes shape. New, desirable, clean, white-collar occupations aren't being created very rapidly.

This is an economy whose leaders have felt a need for a large blue-collar factory labor force, and plan to preserve it by retaining a large number of people who might otherwise rise to white-collar status, by getting a degree. These will be sent to join the older working class, their fathers, in the plants. This is also going to be the cause of a great deal of social frustration, and perhaps driving of people into activities in the second economy.

Let me come back very quickly to my conclusions. What impact have these problems of phenomenon on Soviet foreign policy? No precise answer is possible. Surely, judging by the last years it has not been the policy of the Soviet Union's leadership to moderate their behavior on the basis of perceptions that domestic problems lessen their freedom of maneuver. In general, of course, what the U.S.S.R. leadership considers possible in its policy must depend on some domestic considerations, the capacities of the population, the quality and quantity of economic product.

But at present, although long-term economic and demographic pictures, if unaltered, look negative, neither economic nor demographic concerns seem sufficient to force on their own a marked moderation of Soviet international behavior, nor, on the other hand, acute enough to encourage the leadership toward blatant adventurism, to divert popular attention from problems at home.

What are the implications then, if any, for U.S. policy? In the coming months, as the Geneva summit nears, immediate United States attention will be focused on Soviet statements and actions in the global arena. But over the long term we should not lose sight of domestic developments. Gorbachev has offered no olive branches, no preemptive concessions in the pursuit of a renewed détente with the United States.

We should, obviously, make no such concessions ourselves, make clear that we are aware of Soviet domestic strengths and problems, and that we will not play a role in solving the latter. Circumstances that force the Soviet leaders to concentrate more of their attention on domestic problems are not ones we should alleviate.

We should understand that our engagement with the U.S.S.R. is a long-term one, which puts a premium on steadfastness and consistency in policy, and that it is an engagement with a system quite alien to our own. Mirror imagery here is a very dangerous sort of illusion. Therefore no ill-considered concessions should be offered in the arms area on the assumption that Soviet leaders will turn with relief and the additional funds thus made available from the gun problem to the butter problem, nor should United States policy countenance any renewed drive to provide credits, loans to push technologies at the U.S.S.R. which would allow its leaders to ignore the need for restructuring an economy whose operating procedures play a major role in impoverishing and restricting Soviet daily life.

For the present let us encourage Gorbachev to get on with his domestic task of getting the country moving again. If the methods are liberal, we may applaud; if repressive, we surely may deplore. But if we promote a turning of Soviet energies abroad once more, under a new, vigorous, and evidently tough leader, we surely must blame ourselves.

Thank you.

Mr. HAMILTON. Thank you, Mr. Connor.

[Mr. Connor's prepared statement follows:]

PREPARED STATEMENT OF WALTER D. CONNOR, PROFESSOR OF POLITICAL SCIENCE, BOSTON UNIVERSITY, AND FELLOW, RUSSIAN RESEARCH CENTER, HARVARD UNIVERSITY

Sixty-seven years after the Bolshevik revolution, thirty-two since the death of Stalin, and in the fourth month of Mikhail Gorbachev's leadership, the Soviet Union is showing clear signs of age, wear and tear, and a lowering of popular morale. Whether these are symptoms of a debilitation so profound as to be irreversible is doubtful--surely, the West, and the United States, should not rely on the Soviet problem being self-liquidating.

But nor should we assume that a new, physically dynamic, and moderately photogenic Soviet leader will suffice to turn the Soviet Union around, to "get Russia moving again." The depth and gravity of a number of the problems affecting Soviet society today amount to real dilemmas, critical choices for Gorbachev and the leadership, with no guarantee that regime actions will produce the results leaders want, or, if they do so, will not create in their train new problems those leaders never anticipated.

A survey of some areas where social trends interact with the Soviet state's attempts at regulation follows.

Alcoholism

Surely, a major concern of any regime which treats its population as a "natural resource" is the fitness of that population for various tasks, economic or military, the regime may set them. Here, both history and current domestic policy under Gorbachev highlight the persistence of an age-old Russian proclivity deprivations which a more sober population might question in a political manner. Tradition here serves the current regime well, and the idea of a population to whom alcohol was not available in current quantities cannot, despite its rhetoric, really attract the regime. If this be thought fanciful, it may suffice to note that, in another Soviet bloc context, it was the Baltic shipyard workers in Poland in 1980, embarking on the strikes which led to the formation of Solidarity, who themselves banned alcohol from their precincts. They were not, I would submit, unrealistic analysts of state policies and expectations with regard to the utility of alcohol.

Thus the Soviet state is trying to square the circle in this area--they will not succeed.

Education

While the Soviet educational system is credited--and rightfully--with striking success in bringing an end to illiteracy, providing a basic education growing in the number of years completed in school by the average citizen, and a large network of higher educational institutions, it reflects in many ways a gulf between desires and the regimes' expectations and priorities. Nowhere perhaps is this so clearly expressed as in the educational reform currently under way.

The background is simply stated: large numbers--the vast majority--of Soviet teenagers now complete ten years of education, large numbers of these in the academic curriculum which equals "high school education." Historically, this type of training contains little of a vocational sort, but prepares one for higher education and a professional job. Desires to proceed in this direction have been widespread among high school graduates--more widespread than the regime has thought fit to meet through increasing places in higher educational institutions. Competition thus has grown stiffer, and only about for alcohol, ~~the~~ its pleasures and pains--one intensified in the Soviet period ~~of~~ for political and economic reasons.

On May 17 of this year, the Soviet Communist Party's Central Committee issued a decree signalling a crackdown on alcohol abuse. It calls for more programs of medical care for alcohol abusers, tighter enforcement of laws against moonshine production and illegal selling of alcohol, raises the drinking age to 21, and commands an intensified campaign of anti-alcohol propaganda. It *sounds* decisive, but virtually all these measures have been decreed before, and become dead letters vs. the stubborn reality of Soviet life. The USSR ranks only 7th or 8th in the world in total per capita~~l~~ alcohol consumption, but first in the share consumed in strong, distilled forms. Per capita consumption for the last 15 years has increased 4.4% annually--an astounding record. Estimates from *within* the USSR suggest that a third of the male industrial workforce are chronic alcohol abusers--and th~~e~~ Soviet women are, to some degree, closing the gap. The human and economic impact--in health, absenteeism, workplace accidents and poor-quality production, is immense.

Why does a state never notably reluctant to interfere in its subjects' lives tolerate this? Why is there little reason to expect striking results from the new words emanating from Moscow? First, as the regime "loses" on one side, it profits on another. The tax returns from the sale of alcohol are immense--perhaps 12-13% of all state revenues, and thus close to the Soviet Union's claimed defense budget. What alternative items could the Soviet state produce so cheaply and easily, that would make a dent in a goods-starved economy? How would the state absorb a more than 10% loss in its revenues? The economics of the "bottom line" justify skepticism about the effect, or even enforcement, of the May decree.

Second, the Kremlin leadership surely understands, to some degree, that widespread use of alcohol relieves tensions, dulls the pains of various

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"under the counter" goods; only 17 percent felt similarly about prosecuting petty theft from one's workplace; only 5% agreed that state repairmen who fix appliances on their own account without reporting the job or paying the proceeds to their government-employer should be subject to legal sanction.

This is no surprise; Soviet people connive in these "victimless crimes" every day, as they must if they are to close the gap between reality and desire. Crackdowns may restrict certain types of behavior for a time. They will not, in the absence of striking (and improbable) growth in Soviet economic production, and the devotion of a good deal of that to a more abundant, rationally organized and higher-quality consumer sector, put an end to them. The "second economy" will survive, because it performs functions the first does not. Thus far, the Gorbachev leadership shows no sign of the realistic accomodation its Hungarian ally made some time ago: "decriminalizing" some second-economy activity and integrating it, via an expanded private sector, into the first economy. They might be well-advised to think more about the Hungarian example.

Living Standards and Opportunity

All the problem areas already mentioned are, to some degree, exacerbated by the slowing of Soviet economic growth, the failure of an aging and over-centralized economy to make use of labor, machinery and resources in a way that meets the demands of the late twentieth century.

A prime impact of slow growth has been felt in living standards. Despite regime efforts to maintain both guns and butter at an acceptable level by slowing the rate of increase in investment, daily life is looking, perhaps, more threadbare than usual in the USSR. Compared to West--and maybe East--Europeans, the Soviet citizen is still ill-clothed and -shoed, finds less variety and quality in a whole range of consumer durables, enjoys far less housing space (on the average, still short of the 9 square meters per capita the regime set as the "sanitary minimum" in 1928!) and in recent years has seen a deterioration in the quality of a diet already dull.

In every way, of course, life is better than in the dark days of poverty under Stalin. But, with each year, the proportion of the Soviet citizenry who remember the Stalin years grows smaller, and the portion for whom recent stagnation represents a significant slice of their adult life grows. In controlling its citizens' access to, and realistic knowledge of, life in the West, the Soviet regime channelled mass standards of comparison along a temporal, rather than international, line. For some time, this worked for the regime--as long as a majority could say of any given "today" that it was better than yesterday, but probably worse than tomorrow. This is less likely to be the judgment today. It sharpens the frustrations some deal with through alcohol, places a greater premium on the education and job access for which competition will intensify, and increases the motivation for citizens to turn yet more resolutely to the second economy to meet their needs.

"Hard times," however, may be more bearable if one perceives the opportunity to improve oneself, or see one's children improve their lot, over the long term. Through a great deal of Soviet history, even under Stalin's savage political repression and imposed general poverty, economic growth and its demands provided these opportunities. Peasant children became urban workers, workers' children became bureaucrats, officials, professionals. Mass upward mobility within the system offered, thus, new careers, new opportunities.

Today, the prospects are different. The reshaping of the labor force has slowed with slowing economic growth, the "demand" that drew people upward has slackened, the arithmetic of labor shortage dictates that today the sons of workers join the older generation in the factory, sons of professionals capitalize on their advantages to inherit their parents' status and avoid that same factory. The lines between the white-collar and blue-collar worlds are hardening, and membership in advantaged and disadvantaged groups is showing signs of growing more hereditary. Increasingly, it is hard for those who live in it to see Soviet society as one of "opportunity" and perhaps easier for many to detect a violation of expectations that amounts to a denial of "social justice." Stagnating living standards, combined with a shortage of opportunities for advancement, may add up to a significant morale problem, against which exhortations to work harder and better, even from a new leadership team, are likely to make little headway.

The focus on problems in my remarks does not lead me to a conclusion that the USSR is in an internal "crisis." So it may, in the future, prove to be--but less through the pressure of the problems discussed here than through some others. But, short of crisis, the problems discussed here will provide, to some degree, a ground for judging the "style" of Gorbachev's rule, and beyond this, the view of the appropriate state-society relationship it reflects.

Thus far, there is little encouraging to report. None of the declarations of this new regime suggest any rethinking of the principle that the state should regulate social processes in a rather detailed manner. On the economic issues which affect social life so deeply, any discussion of the experience of "fraternal socialist states" seems to pay as much or more attention to the centralist G.D.R. as to the more liberal Hungary. While, obviously, readying itself to push for changes in numerous areas, the Gorbachev leadership seems equally determined to contain the social effects of those changes within tight political limits.

It should not be forgotten that Gorbachev will pursue his programs against a broader domestic background that includes elements of support as well as potential pitfalls. The aura of strong, decisive leadership is likely to be popular. Soviet citizens--at least the Slavic majority of almost three-quarters of the population--are, in the main, patriotic and open to appeals based on maintaining the strength of the state. For all that they are not being met, Soviet citizens' material aspirations are moderate--meeting them, given the USSR's human and resource base, should not be impossible. The major pitfall, either in a program emphasizing tightened "discipline" as seems to be the case thus far, *or* in a decentralizing, semi-market economic program, is in Soviet society's habituation to "the way things are." There will be resistance to discipline, to a tighter tying of economic reward to one's own work and one's plant's success, to price "adjustments," to policies which seem to break the tenure workers effectively enjoy in their factories. A market-style reform allowing for some further privatization, should it come, will also create new linkages between enterprise, innovation and economic success, multiply *visible* inequalities between the swift and the slow, and seem to many rank-and-file citizens not an invitation to exercise greater autonomy, but a violation of the promises of the Soviet welfare system. The Gorbachev period will be an interesting time.

Implications

What impact have these problems and phenomena on Soviet foreign policy? No precise answer is possible. Surely, judging by the last 15 years, it has *not* been the policy of the Soviet leadership to moderate their international behavior on the basis of any perception that domestic problems lessened their freedom of maneuver. In general, of course, what the USSR leadership considers *possible* in its policy must depend on some domestic considerations--the ability of its economy to support the priority area of military production and procurement without depressing consumption and investment to levels too low to endure, the quantitative and qualitative properties of a population which must provide military and civilian manpower, among them. Although the long-term economic picture, if unaltered, looks quite negative, at present neither economic nor

15-17 percent of graduates continue in higher education. Still, the regime's unilateral definition of its manpower needs--for skilled blue-collar workers rather than specialists with degrees, and for these as soon as possible, given labor shortages--has led it to attempt to channel youth more directly toward the factory. The current reform envisions eleven years of education, wherein the majority of students will, in their last two years, be directed into a vocational-technical curriculum fitting them, by the age of 17, to enter the manual labor force with a skill--and, not incidentally, thus channel them away from thoughts of competing for admission to higher education. They will receive high school diplomas, but the substance of their education will be very different from the self-selected minority--those advantaged educationally, culturally, economically by their home backgrounds--who will follow the purely academic track. The decision to press forward with this reform tells at least two things about Soviet social policy: a willingness to engage in a species of "tracking" in education which may in many ways be wasteful of late-blooming and surely needed talent, and the persistent bias toward assuming that the state "knows" the society's and economy's needs well into the future, better than the free choices of families and individuals in a looser environment might show them to be. Given the many complaints in Soviet sources about the misallocation of manpower, it is hard to see why the confidence persists; given the frustration which must come to many who are channelled in a direction not of their preference, it seems likely that the state may create new problems in the area of the education-job linkage under the pretext of solving old ones.

Law, Discipline and Social Order

The average Soviet citizen exists between the contrary "pulls" of his own needs and those of his family, and the exhortations, decrees and laws that lay down a straight-and-narrow path of supposed rectitude, but provide little way to meet those needs. He has thus "improvised" in myriad ways, making for an everyday grass-roots Soviet life which bears little resemblance to the official imagery.

Moving the citizen away from producing or consuming in the "second economy," from treating his legal job as a time and place where he can rest from the vigors of a moonlighting occupation, or simply calculate how to acquire some consumer item in short supply, was a priority of Yuri Andropov's short period in power--it appears to be one of Gorbachev's as well. Here again, policy confronts a combination of inertia and current difficulties which makes a transformation in mass behavior hard to envision.

On December 28, 1982, as Andropov's campaign to clear the sidewalks of lines during working hours got under way, with police checking of the people caught in the dragnet to see if their absence from work was excused, Pravda reported that 73% of people who took off from work did it to visit doctors, savings banks, and other state offices which were closed outside of their working hours. Hardly, then, hardened thieves of time and effort. Some moves have been announced to extend the hours of such institutions, but lines, and absenteeism, still persist.

Much has been made of Soviet society's being "ready" for a crackdown on speculation, on corruption, on slack discipline, out of frustration with the late Brezhnev years when such things flourished. One may, however, doubt that this is quite the case. Many of the practices now the target of law enforcement "work"--that is, they humanize a system that otherwise denies people the goods and services they seek. A revealing study in 1983 sought the views of a sample of Soviet citizens on various laws, the degree to which they "actively supported" certain legal prohibitions. The results were not encouraging: only 12% favored prosecuting salesclerks who took bribes as payment for scarce, demographic concerns, nor the specific problems outlined here, seem sufficient either to force, on their own, a marked moderation of Soviet external behavior, nor acute enough to encourage the leadership toward blatant adventurism to divert popular attention from problems at home.

What then are the implications, if any for U.S. policy? In the coming months, as the Geneva summit nears, immediate U.S. attention will be focused on Soviet statements and actions in the international arena, but over the long term, we should not lose sight of domestic developments. Gorbachev has offered no olive branches, no preemptive concessions in the pursuit of a renewed detente with the United States. We should--beyond the obvious point of making no such concessions ourselves--make clear that we are aware of Soviet domestic strengths and problems, and that we will not play a role in solving the latter. Circumstances that force the USSR leadership to concentrate more of _their_ attention on domestic problems are not ones we should alleviate. We should understand that our engagement with the USSR is a long-term one, which puts a premium on steadfastness and consistency in policy, and that it is an engagement with a system quite alien to our own--mirror-imagery is a dangerous sort of illusion.

Therefore: no ill-considered concessions should be offered in the arms area, on the assumption that Soviet leaders will turn with relief, and the additional funds made available, from the gun problem to the "butter problem" which underlies many of the issues described here. Nor should U.S. policy countenance any renewed drive to provide credits, loans, to push technologies at the USSR which would allow its leaders to ignore the need for restructuring of an economy whose operating procedures play a major role in impoverishing and restricting Soviet daily life. For the present, let us encourage Gorbachev to get on with the internal task of getting the Soviet Union moving again. If the methods are liberal, we may applaud; if repressive, we surely may deplore. But if we promote a turning of Soviet energies abroad once more, under a new, vigorous and evidently tough leader, we surely must blame ourselves.

Mr. HAMILTON. Dr. Olcott.

STATEMENT OF MARTHA BRILL OLCOTT, ASSOCIATE PROFESSOR AND CHAIRMAN, DEPARTMENT OF POLITICAL SCIENCE, COLGATE UNIVERSITY

Ms. OLCOTT. Currently there are about 50 million people of Moslem extraction living in the Soviet Union. Almost all of these are Sunni Moslems. Only the Azerbaijianis on the Iranian border are predominantly Shi'ite. The Moslem population is distinguished by a pervasiveness of Moslem culture and to a lesser extent by a pervasiveness of religion.

One impact of this culture is that it reinforces the general geographic immobility of the population.

A second characteristic is that between about a third and a half of these people claim to freely speak Russian. Generally, the Moslems have less education than the Russians and the quality of technical education in these regions is lower.

The share of the total population of Moslem extraction is growing, due to the continuation of large families among these nationalities, whereas the European population seem to be limiting their family size. There are several practical implications of this growing Moslem population. As the manpower base in the European part of the U.S.S.R. decreases, the economy either must become less labor-intensive, or move Moslems to jobs, or move jobs to Moslems, the most costly of the options.

Second, Moslems will account for an increasing proportion of the conscript pool of the Soviet Armed Forces as time goes on.

Since the late 1970's Moscow's response to this has been to develop a strategy of stressing the development of a bilingual non-Russian population in an attempt to raise the level of technological attainment of the Moslems and to foster their cultural integration. This is applied to others, to all non-Russian populations as well. These efforts will increase with the 1984 general education reform.

Since the 1979 Afghanistan invasion, the needs of the Soviet military have been more explicitly linked to the drive to improve Russian language education, and in recent years there has been a related effort to train officers from the Moslem nationalities. The political socialization message has been modified to make clear that patriots can be both non-Russians as well as Russians. This demonstrates a growing influence of the Soviet social science establishment who have argued that the pervasiveness and complexity of Islam is a social and political force, a theory of Islam that has foreign policy implications as well. They have also argued for the difficulty of achieving social change, and finally, they have argued that there is a basic albeit rather apathetic loyalty of the Moslem population.

There are several real limits to the successful integration of the Moslem population, and there is certainly no real prospect that this population will ever be assimilated. One conspicuous limitation is the religious beliefs of these people. Virtually everyone has a minimal tie to religion, such that ethnic and religious identity are fused. To be an Uzbek or a Tadzhik or a Azerbaijiani is to be a Moslem, even for those who consider themselves totally secularized, which in the Moslem context is a term that is preferable to atheist.

I consider that there are three categories of Moslem believers. The first are people who I call ethnic Moslems whose practice of religion is linked solely to the rites of communal membership, things like circumcision and funeral rites. The second group are cultural Moslems who I consider to account for someplace between a quarter and a half of the population. These people observe ritual without a knowledge of doctrine, and for them although religion is linked to the content of their nationalism, they are basically secularized. The third group are devout Moslems. In my opinion they do not to exceed about 10 percent of the Moslem population. These people have a knowledge of religious doctrine, and religion is a part of their daily lives. Thus they in my opinion cannot be considered to be completely secularized, and these are the people who might prove to be a successful target for Islamic fundamentalists abroad.

In terms of the politicization of Islam or the potential politicization of Islam—an individual's political identity is complex and includes a vairety of values which are sometimes conflicting—but religion plays some role for all those of Moslem extraction in the Soviet Union.

Most troublesome from the point of view of the regime is that Moslem youth seem to be replicating their parents' ties to their religion, and even some youth from secular homes have become believers today. Since the late 1970's there appears to have been an overall increase in the identification of the Soviet Moslems with their faith. There has been an assertion of national identity, an increase in the practice of religious rites, an increase in the publication of illegal books and the process of self-ordination of clergy. This may in part be explained as contamination of Islamic fundamentalism from abroad, but there are several important domestic causes as well.

Part of what we see is a phenomenon of parallelism, that the developmental process causes people to respond negatively to secularism. In the Soviet Union the conditions are not appropriate generally to an Islamic fundamentalist revival, but instead the form of a cultural revival of Islam they have taken.

Finally, in the domestic context, the late Brezhnev years were characterized by laxness, corruption, and decline in the quality of supervision manifested by the party, all conditions that made believers less fearful of practicing their faith openly.

What then is the Islamic threat to the Soviet Union? I would like to pose several different threats. The threat of Islamic fundamentalism developing in massive proportion in the Soviet Union I think is relatively unlikely. The number of fundamentalists currently are few, and the possibility of them developing a widespread phenomenon is easily controlled by force, although certainly for both foreign and domestic policy reasons, Moscow certainly prefers to not have a major public manifestation of their opposition to religion, and would prefer quiet or discreet ways of putting down fundamentalists.

Most Soviet Moslems will have trouble with the content of Khomeini's message because their level of religious training is so low.

In Soviet Azerbaijian, because they are Shi'ites the message could possibly be more popular, but here the Soviets have gone to greater lengths to broadcast Khomeini's own persecution of Iranian Azerbaijianis. The more basic messages that are coming from Islam, things like simple Koran readings or broadcasting of services is having an effect particularly in Turkmenistan.

However, Soviet antireligious propaganda is not displaying any panic toward Islamic fundamentalism. The contents of antireligious propaganda, which is real and everywhere apparent, is not geared toward the fundamentalists but instead geared toward limiting the spread of Islam among youth to reducing the fusion of nationalism with religion, and to trying to limit potentially politicizable activities such as the illegal publication of books, covert illegal meetings, and illegal self-ordination of clergy.

However, there are two other groups that pose the possibility of threatening the regime. The first are the group which I call secular nationalists—writers, artists, film makers, musicians, et cetera, individuals who today demand great cultural autonomy from the regime, and who threaten the ideological hegemony of the state; but in the Moslem areas the state has acted much more gingerly to try to control these people than they have in the Baltic and in the Ukraine and even among Russian intellegentsia themselves.

The third group that threatens the regime are people that I call national communists, the pro-regime elite, who support the goals of the national development of their people, but believe that their development will be served by the Soviet state. These people expect the regime to live up to the ideology, and actually develop their republics; but then pose a dilemma for a resource-strapped Moscow, how to pump enough money into these regions to keep these people satisfied.

The threat these people pose to the center is serious, partly because they accept the ideology, and they can work easily in concert with the secular nationalists. These individuals are strategically located, and the supporters of both the secular nationalist and the national Communist combined are numerous. Finally, their pressure point, the point at which they become dissatisfied with the regime is likely to be reached far sooner than the point where Islamic fundamentalism spreads to be a mass phenomenon.

What is Gorbachev's likely response to the Moslem national problem? First, he is likely to offer what seems to be a more nationally blind cadre policy. He has committed himself to appoint people to senior positions regardless of their national origins, which means more non-Russians in the center and more Russians in the national republics.

An example of this policy that we have seen most prominantly in recent weeks is obviously Eduard Shevernadze's appointment as Foreign Minister; and incidentally, he is more likely to be knowledgeable about Islam at home and abroad than any senior incumbent in the foreign policy apparatus has been to date.

Gorbachev's pragmatic style means that there is not likely to be a major religious crackdown in the near future, because of its likely strong economic costs. It is also likely that Gorbachev will accept the arguments of the cultural autonomists, as long as they keep within acceptable boundaries. However, Gorbachev has yet to have a major pronouncement on culture or ideology, so we just don't know where those boundaries are going to be. He seems likely to try to balance the wishes of the Moslem republic cadre that he trusts, to balance their desire for investment with his own likely preference for the cheaper solution of moving Moslems to the jobs.

Finally, Gorbachev is likely to seek expert advice, and in the past expert advice has urged caution in dealing with the national minorities.

What are some final words of advice for Americans who are trying to monitor the national minorities in general and the position of the Moslems in particular. The first caution I would offer is that the concrete economic and social policies pursued by the regime are pragmatic and don't always, or even often, reflect their current ideological pronouncements; so the regime could be pushing a line publicly urging the fusion of nationalities and simultaneously pursuing a variety of policies as they currently are for the economic and social developments of the regions and not for their cultural homogenization.

Second, nationality related policies are usually not applied uniformly across all nationalities. What this means concretely is that we can't watch the Baltics and the Ukraine as a monitor for understanding events in Central Asia. The policies applied among the European areas are oftentimes not only distinct but in direct contradiction to the policies that are being applied simultaneously in the Moslem areas.

Third, the Soviet Moslems are not a homogenous population. There are 50 million people who are divided by serious cultural differences. They certainly maintain some sort of loose common tie, but at the same time there are real differences, cultural, linguistic, and in terms of their own adherence to the faith, which separates them and makes a unified response to any policy unlikely.

Fourth, any politicization of the Moslem community is likely to occur by stages, and begin as a low response to local conditions. This gives the state a real advantage in trying to respond to threats as they emerge.

Finally, in this country there has been a tendency to look at the ways in which the Soviet Moslems are a liability to the Soviet Union abroad. We also have to be realistic and to see that there are a variety of ways that this Moslem population can also under certain situations prove to be an asset for the Soviets in their foreign policy as well.

Thank you.

[Ms. Olcott's prepared statement follows:]

Prepared Statement of Martha Brill Olcott, Associate Professor and Chairman, Department of Political Science, Colgate University

Western students of the Soviet Union have long been preoccupied with the political impact of the multinational composition of the USSR. Interest in the Muslim nationalities piquod when the published results of the 1970 All-Union census showed that a demographic explosion was occurring among these peoples, while the birthrate of the Europeans was dropping. The 1979 census showed that despite an overall decline in birthrates, the shift in demographic balance was continuing; it recorded almost 45 million citizens of Muslim extraction (members of 38 national or ethnic communities which actively practiced Islam in the pre-revolutionary period); 65% came from 6 nationalities with titular republic status (the Uzbeks, Kazakhs, Azerbaijianis, Kirghiz, Turkmen, Tadzhiks). The Tatars and Bashkirs, who are attached to the RSFSR, account for an additional 24% of the Muslim population. The overwhelming majority of Soviet Muslims are Sunni rite, only the Azerbaijianis (11.9% of all Muslims) are predominantly Shiite. Western analysts Rapawy and Baldwin estimate that by the year 2000 there will be almost 64 million citizens of Muslim extraction in the USSR, of whom about 50 million will live in Central Asia and Azerbaijian.

The multi-national character of the USSR and particularly the shifting demographic balance has inevitable consequences for all spheres of Soviet life; it affects the viability of key economic institutions, the orderly functioning of the Army, the maintenance of the prevailing balance of power between all-union and republic elites and potential mass receptivity to ideology and propaganda.

In the early 1970s these changing conditions gave the party cause to re-examine their official stand on the national question which was based on Lenin's call for the rapprochement and merger of nations. This rather utopian formulation, tempered though it was by Lenin's further remonstration that national differences would persist long after class differences had disappeared, did not provide a practical framework for harnessing the energies of the ever-increasing number of non-Russian citizens. While promising the equalization of all citizens, in reality Lenin's formula seemed a guarantee for the elimination of all non-Russian national cultures.

In 1972 on the 50th anniversary of the formation of the USSR Brezhnev pledged the party to neither artificially force the rapprochement of nations nor artificially restrain this process from occurring. For the remainder of the 1970s and the early 1980s official pronouncements stressed the flourishing of national cultures and not their dissolution, a logical framework from which to work toward the increased economic and political participation of the ever-increasing number of non-Russian minorities, masses and elite alike. To help further this integration the definition of patriotism was modified as well. It now explicitly stated that a Soviet patriot could be a Russian as well as a non-Russian; non-Russians have a dual loyalty, to their national territory and the Russian-dominated Soviet context which protects it. The definition of political loyalty is both vague and amorphous, downplaying the realities of Russian domination, while stressing the confluence of interest of all the nationalities, so that the fate of the various constituent parts is dependent upon the good fortune of the whole.

By the late 1970s Brezhnev and the party leadership realized that force of rhetoric alone could not produce the necessary economic and social integration of the Muslim minorities from the labor rich regions of Central Asia and Kazakhstan. In a search for an easy solution they accepted the argument that the development of a completely bilingual non-Russian population would foster the resolution of many economic and social problems associated with the changing democraphic balance. The 1979 census gave evidence of steady but inadequate progress toward the achievement of a bilingual society, with between twenty-five and thirty percent of the Azerbaijiani, Turkmen, Tadzhiks and Kirghiz population reported as freely speaking Russian; 52.3% of the Kazakhs and 49.3% of the Uzbeks also claimed to freely speak Russian, although the Uzbek figure is undoubtedly fallacious. In 1979 an all-union conference to develop new resources for teaching Russian language was held in Tashkent; the strategy of stressing Russian language education as a means to achieve the rapprochement of nations was reaffirmed on the 60th Anniversary of the USSR, and received additional clout in the April 1984 General School Reforms which mandated fluency in Russian a requirement for high school graduation beginning in 1990.

Burnt by earlier opposition of the national minorities, the Party has tried to stress that the current campaign is not a disguised form of Russification but an attempt to raise the level of educational attainment and technical expertise of the non-Russian population. As the drive to encourage bilingualism has proceeded the needs of the military have become increasingly tied to it as well; the party has pushed for remedial Russian language training and special schools to help develop a multi-national officer corps, and hopes that better language instruction in the primary and pre-school networks will ensure that the problem will rectify itself well before 2000 when one-third of all conscripts will come from Muslim regions.

However, not all have been satisfied with the policy line developed in the late 1970s. Throughout 1982 there was a heated debate between those who believed that the party had veered too far from the Leninist course of striving for the merger of peoples and defenders of the existing policy line who maintained that the perpetuation of ethnic distinctions was inevitable. Finally, in December 1982, Yuri Andropov attempted to resolve the debate. Noting that the party was of course committed to the ultimate merger of all nationalities, he counseled that for the present the leadership must remain sensitive to the aspirations of national minorities. Andropov's address remains the last major statement of a General Secretary on the national problem; although what few remarks Gorbachev has made on the topic suggest that he will follow Andropov's lead.

By the Soviets own reckoning the creation of a homogeneous Soviet culture devoid of national variations remains a goal for the future. In the Muslim regions Soviet policies designed to create a new social order have only been partially successful, as alleged anachronisms are everywhere visible. Institutional Islam has been weakened and a powerful central authority has assumed control of most of the functions that in the old days were exercised by local, clan, or religious authorities. Since 1943 four state supervised religious administrations have tended to the needs of the Muslim believers, supervising some three hundred mosques and two religious schools. The number of official clerics and the authority they exercise are both limited, and their presence is often more keenly felt by a foreign public than it is by the Soviet Muslims at home. Soviet nationality policy has helped create an increasingly more heterogeneous Muslim population, conscious of common ties but also aware of the existence of distinct national communities. The Muslims perceive themselves as culturally distinct from the Russians. Most are raised in ethnically segregated settings; the overwhelming majority in the countryside. The Muslim youth nearly always attends a national school, where Russian is taught as a second language, and the adherence to a standardized curriculum is impeded by the lack of suitable texts in the local language. Media is used to encourage a cultural homogenization and a uniformity of view. Although Moscow transmits Russian language TV and radio throughout the USSR they cannot control popular preference for native language broadcasts, whose contents are not as rigorously monitored.

The fact that the Muslims perceive themselves as culturally distinct is not in and of itself threatening, but that they live in an environment still strongly influenced by the psychology, morals and traditions of an alternative value system is troubling. The Soviets had hoped and even believed that religion would die out as economic and social development occurred. However in recent years they have come to accept the tenacity of Islam. Prominent specialists on Islam now admit that anti-religious propaganda can little affect a popular consciousness which sees the linkage between religious heritage and national identity as definitional. The Soviet Muslim knows he is a citizen in an atheistic society, but except for the period of military service he generally lives in a world which is secular, and not, except in the most formal sense of the term, atheistic.

In the USSR, as elsewhere, there is a great deal of variety in the degree of religiosity of Muslim practitioners. Many of Muslim background are "Ethnic Muslims," whose association with Islam is passive; they identify with religion as an expression of membership in an ethnic or national identity which has historically been Muslim. They may practice certain rituals, particularly those, like circumcision or burial, which are signs of communal membership. Almost all Soviet citizens of Muslim background have at least this minimal tie to their faith. The "Ethnic Muslim" may become politicized should the dominant ethnic group treat him as a second class citizen.

Somewhere between a quarter and a half of the population are "Cultural Muslims"; they adhere to religious rituals, but have little or no awareness of the doctrinal teachings of Islam. The "Cultural Muslim" is likely to perceive himself as having ties with his co-religionists, ties which transcend the national community; but these ties are weak, because real cultural distinctions exist between national communities and even between various subcultures of each nationality. The "Cultural Muslims" could unite politically to protest a shared sense of threat, but the type of religious persecution that would be necessary to produce this is unlikely to occur at present. For the moment most are able to ignore official restrictions on religious observance.

Finally there are "Devout Muslims", who have at least some knowledge of Islamic doctrine and who try to integrate their faith into their daily lives, as well as to spread it to others. Most attend weekly prayers; many try to pray daily. These people, no more than ten percent of the Muslim population, believe that to remain vital Islam must be more than mere ritual observance; and so pose the greatest direct threat to the regime. They are the most likely to be influenced by the spread of fundamentalism abroad, and to choose to try and counter the atheisim implicit in Soviet philosophy. For now the number of fundamentalist believers who reject Soviet authority is small and given the coercive forces at the disposal of the regime they are easily contained. But new fundamentalists will continue to emerge, and so Moscow will have to periodically demonstrate its hostility toward religion before a population sympathetic to Islam.

One area of concern to Moscow is Islam's popularity among youth; most teenagers are at least as religious as their parents and many from secular homes are becoming believers as well. To combat this the party has made improved anti-religious propaganda an important goal of the current Komsomol campaign. But anti-religious propagandists have begun to reconsider their attitude toward the Muslim believer, and now seem more concerned to criticize religious dogma and the clerics who seek to spread it than to berate those who practice archaic religious rituals. Certainly the state would like to stop the widespread observance of such rituals, but they have chosen to save their punitive measures for potentially political illegal activities like illegal printing of religious books, unsupervised covert religious assembly and illegal ordination of clergy. However even these illegal activities do not provoke the type of strong response which Christian fundamentalist and Catholic groups have encountered.

Soviet analysts contend that the fusion of religious and nationalist consciousness is a stage to be endured. While the process of creating an internationalist consciousness is going on the state must try to prevent the assertion of national identity from taking on explicitly anti-Soviet political overtones, because, generally speaking, Islamic believers can and do make loyal Soviet citizens. In the past decade and a half Moscow has begun to understand Islam as a complex social and political force, and that although widespread religious practice is widespread the population is essentially quiescent. Moscow has thus come to grudgingly accept a situation which they cannot control. The assumption of Muslim loyalty is necessary if the regime wishes to exploit Muslim manpower. However they must devise policies which will lead to the mobilization and successful utilization of this growing population, and communicate them to the responsible bureaucracies for enforcement.

The still pervasive Islamic culture is an impediment to the successful economic integration of the Soviet Muslims. It inhibits labor mobility, reinforces ties to the home soil, where in rural areas few technically demanding jobs are found; it encourages the underemployment of women who are urged to remain housewives and mothers, and in turn insures the continuation of the high birthrate which fuels the Muslims' demographic ascendancy. To try to break this cycle Moscow has encouraged the development of national elites who will advocate the secular goals of the regime, but will still be seen as credible respresentatives by the population whose attitudes they are to modify. Elite recruitment efforts in the Muslim areas have been especially intense. Prior efforts had mixed success. Most Muslims who served in the 1920s and 1930s were purged as national communists. Those recruited during the Stalin era, men who are now dying off or being ousted, include some of the most corrupt politicians of a generally dissolute era.

The generation that is now coming into positions of prominence differs greatly from the group recruited under Stalin. These individuals are Russified but not assimilated; they speak fluent Russian and have an awareness of Russian culture but they still maintain a strong commitment to the advancement of their national communities. Their concept of communism is not always wholly coherent and often differs from that of Moscow, but their ideas are still within the sphere of acceptable ideological divergence. This elite is no more alienated from its national constituency than is the Russian elite; and in some cases the masses of the minority nationalities may feel their interests are being better represented than do their Russian counterparts. Many of these people serve out of ideological commitment, probably more than among the Russians, since in the Muslim regions the advantages of Soviet rule are visibly clear; educational and health care facilities are free and nearly universal, and an improved standard of living has been financed by a central authority who has extracted a minimum of raw materials. While it is true that Russian influence is everywhere and reminders of their physical presence hard to avoid, this was true long before the revolution; thus those who, in a more perfect world, might advocate independence for their people must inevitably ponder the problem of exchanging the known "enemy" for the unknown one.

But there is another side of recruiting loyal cadre; such cadre expect the state to live up to its own ideological goals. Those who believe in Soviet socialism expect it to perform as promised. A new generation of writers and historians has come to prominence who are actively interested in developing the national culture of their people. They are not troubled so much by the need to conform to the strictures of socialist-realism as by the requirement that they always highlight the positive role historical of Russians. This often constrains the portraits that can be drawn of national heroes, many of whom demonstrated their herosim by resisting Russian conquest. Thus many writers who seek to preserve the cultural uniqueness of their people find themselves embroiled in disputes over what constitutes a Marxist approach to literature. But here, too, Moscow has been more lenient toward the Muslims than toward many European nationalities, including the Russians themselves; the acclaim showered on Chingis Aitmatov's nostalgic treatment of Kazakh morality, A Day Lasts Longer Than A Century is a good example of the center's inconsistency in cultural politics.

The challenges posed to the center by the expectations of the party cadre are no less complex than those of the intellectuals. Here, too, those who are loyal may still pose a real threat, not just to the ideological hegemony of Moscow, but to the long defended centralization of power in the Kremlin. Unlike the rural masses, these people are not resisting change, but as with the Siberian river diversion scheme, they are trying to get an increased share of a diminishing pie; they expect to supervise the development of their national regions and not simply follow the directions of some hidden Russian superior. The model of the all powerful Russian second secretary or deputy factory manager, seems already to be breaking down; powerful first secretaries themselves politburo members or candidates like the now Deputy Prime Minister Geidar Aliev or Dinmukhamed Kunaev clearly outrank their Russian deputies. The self-assertiveness of the national elites means that Moscow will have to increasingly rely on more surreptitious means of monitoring performance.

Should the Muslim elite overstep acceptable bounds Moscow could force their compliance. But for now the party prefers using positive incentives, and in the recent years the national elites perceive an increased role in the articulation of demands and in the formulation of policy. The promotion by Andropov of the Azerbaijiani Aliev demonstrated that those of Muslim background could hold powerful central posts. Gorbachev has sustained Andropov's cadre policy, he has maintained that qualified people must be assigned tasks regardless of their nationality, and so appointed the Georgian Eduard Shevernadze as Minister of Foreign Affairs.

Moscow's current strategy may accrue them potential political advantage in the Muslim regions. The relatively apathetic rural population might become more positively disposed toward Soviet rule;and the national elite should be able to continue to legitimate themselves in the eyes of their constituent populations as not just quasi-effective representatives of national needs, while also sustaining

Moscow's trust. The economic pay-offs are less problematic, and represent the only relatively low-cost strategy the regime has to better utilize manpower resources of the fast growing Muslim population.

This current strategy meets the needs of Soviet foreign policymakers as well, who are sensitive to charges that the government of the USSR exploits its Muslim population. To counter such charges the state appointed Muslim clergy are encouraged to participate actively in international forums, and many Soviet missions in the Middle East include many with Muslim surnames on their staffs. But the Soviet Union would like to do more than merely keep from losing ground in the Muslim world, they would like to turn their Muslim population into an asset. This means that they must diminish any possible appeal of fundamentalism at home. At present they are trying to do this by jamming religious broadcasts, publicizing the excesses of Khomeini and most particularly his persecution of the Iranian Azerbaijianis, and attempting to keep the level of religious learning low enough to insure that the fundamentalists' message seems alien to the doctrinally uneducated Soviet Muslim, all without provoking popular dissatisfaction. The Soviets must also convince the Islamic fundamentalists that they are not hostile to religion, and have devised a doctrine of progressive Islam which advocates their support of religion when it is in the pursuit of socio-economic change, their opposition to it when it is in the service of imperialism. This doctrine, which has yet to win any new friends in the Middle East, is a public recognition of the vitality of Islam, which has consequences at home as well as abroad.

It is unclear to what degree Soviet domestic politics have been influenced by events in Iran and Afghanistan. The Soviets appear unafraid of any imminent threat from their Muslim population but are wary of the tenacity of religion and the political potential of its implicit cultural separatism. But for now their fears of potential ideological heresy to modify policies aimed at ending the uneven development of the Muslim regions and the unequal educational levels of the growing non-European population.

There are several lessons we can learn from recent Soviet treatment of their Muslim population. The first is that we can no longer assume that a single nationality policy is uniformly applied throughout the Soviet Union and that the Soviet goals for each national group are identical. The Soviet authorities do not treat the Soviet Muslim nationalities in the same hostile way that they act toward the Western nationalities, the Ukrainians, White Russians, Balts and the Jews. Secondly, it would be a mistake to assume that the stated ideological goals of Soviet nationality have strongly influenced decision-making in the concrete policy areas of the economic and social development of the Muslim nationalities. Not only have recent party leaders tended to put practical economic problems over more abstract ideological concerns but some have gone as far as reinterpreting old ideological saws when necessary. The problem-oriented Gorbachev is likely to continue this practice. Finally, we must absorb a lesson which the Soviets seem to have only recently learned about their own Muslim population. Islam is pervasive but not immutable; the community of believers in the USSR is varied in their adherence to the faith. Political responses to perceived religious persecution can occur, but they will be different in form and content than they were at the onset of Soviet rule, and will differ from those which we have seen in Iran and Afghanistan. Such responses will be shaped by local issues and local conditions. It is difficult for Moscow, let alone Washington, to decide how to defuse them in the first instance, or to stimulate them in the second.

The Muslims by definition pose a severe challenge to the resource strapped Soviet economy. They, in their increasing numbers, must be educated, socialized and economically integrated if the economy is to cease its faltering. The Muslim elite who support the regime also challenge it, to live up to its rhetoric by adequately funding their national development, to invest in their regions when capital is already committed elsewhere. Increased Muslim religious activity would be destabilizing to the Soviets; but it is a risky proposition for us to actively encourage it, because we might not so much encourage Islam as provoke a Soviet crackdown. In today's Soviet Union such a crackdown would produce suffering but would pose no major threat to Soviet rule. Should such a crackdown occur the national elite might themselves become tainted and removed from positions of influence. Right now it is precisely such individuals, those who are loyal to the system, and not the religious opposition, that present Moscow with its most formidable challenge. For now US interests seem best served by leaving the Soviet Muslims alone and allowing the inherent contradictions in Soviet nationality policy to further develop. Moscow must ultimately be haunted by the rise in national expectations it has fostered. Our direct, or even indirect, involvement in this part of the USSR would complicate the situation and might allow Moscow to successfully invoke the Muslims latent Soviet patriotism rather than be smothered by their growing national pride.

THE SOVIET UNION'S MOST SERIOUS DOMESTIC ISSUE

Mr. **Hamilton**. Thank you very much.

Just so I can get an idea of your own sense of the problems in the Soviet Union, what do you identify, each of you, as the most serious domestic problem that Gorbachev has to deal with now? As you look over the problems of the Soviet Union today, what would you put at the top of the list to deal with? Please try to be as specific about that, as specific as you can.

Mr. **Hewett**. Well, Mr. Chairman, what is defined as the most serious problem?

Mr. **Hamilton**. What is the most serious problem on the domestic side?

Mr. **Hewett**. On the domestic side, it is the inability to innovate. Beyond that is Gorbachev's concern that workers do not work very hard in the Soviet Union, and that managers do a rather poor job of managing them, and pushing them to work harder. So it is I suppose you could say, labor incentives, which relate to Dr. Connor's point about alcohol, which is part of the problem, but not all of the problem.

Mr. **Hamilton**. Dr. Connor, what do you think is the most serious problem?

Mr. **Connor**. Well, to say something different then from what my colleague, Ed Hewett did, it may simply be a shortness of vision about how to cope with the complex of problems we have all been detailing here. We hear a lot of decisive rhetoric. We hear a lot, and I think we all believe that Gorbachev is going to try to do something to shake things up. I don't think that I have seen any evidence yet that he has, or his team has any real ideas that promise, if they were implemented, a way out of the large scale problems of internal organization, in the operation of the economy, and in other areas as well, that the Soviet Union faces.

He has got to change the way 260 million people, from rank and file workers and peasants to bureaucrats in his own office, work and I think that is going to be a tremendously difficult job.

GORBACHEV'S WILLINGNESS TO MAKE CHANGES

Mr. **Hamilton**. Do you see any evidence, Dr. Hewett, that he is willing to innovate or make radical changes?

Mr. **Hewett**. There is evidence that he is willing to think about and talk about it. He hasn't done anything yet to speak of. I think Walt is quite right.

Mr. **Hamilton**. That is, so far it has been all wind up and no pitch?

Mr. **Hewett**. Well, look, it is only 4½ months into it. It makes sense up to this point——

Mr. **Hamilton**. Why hasn't he moved more quickly?

Mr. **Hewett**. The problem is too tough to move quickly.

Mr. **Hamilton**. Is he unsure of his political base?

Mr. **Hewett**. Well, you have got to build your political base. That is part of the reason people are being fired and new people coming in. For example, the Minister of Planning who has been in office for two and one-half decades, a Minister of Finance for two and one-half decades. These are people who are going to lead the offensive for the new reforms. You have got to fire people, and really bring in younger people who are at least willing to think about reform, and that is going to take time. It also, quite frankly, takes time to figure out what to do.

THE SOVIET ECONOMY

Mr. **Hamilton**. Dr. Olcott, what do you see as the toughest problem?

Ms. **Olcott**. I would say the economy as well. The problem of economic efficiency, and also the manpower problem, how you cope with efficiency, how you fund reforms at this point with a declining trained technical manpower base.

Where the jobs are there aren't enough people with technical education to fill them. Where the people are they don't have the technical education or they are not disposed to get it; and they certainly don't want to move.

UNITED STATES POLICY TOWARD THE SOVIET UNION

Mr. **Hamilton**. I would like each of you to comment on your general observations on United States policies toward the Soviet Union at the present time. What would be your chief criticism of United States policy toward the Soviet Union at the present time?

Mr. **Hewett**. The reason I think I am having difficulty is that, at least from an economist's point of view, it is difficult to find a policy out there that has any high points that you would either criticize or praise. Indeed, I think the policy since we pulled back from the pipeline, has in many ways been a sensible one. It is a policy that reflects the realization that in effect the United States can do very little to affect one way or the other Soviet economic performance, and what we should spend our time doing is making sure that our relations with the Soviet Union and those of our allies are on a sensible commercial basis.

Mr. **Hamilton**. How do you answer the question you raise at the end of your statement about our aiding the U.S.S.R. economy?

Mr. **Hewett**. I don't think we should ever be drawn into a position where we are actually aiding the U.S.S.R. economy in its reindustrialization or in its economic reforms. On the other hand, one man's definition of aid is another man's definition of trade.

UNITED STATES-SOVIET TRADE

Mr. **Hamilton**. You would extend no export credits to the Soviet Union?

Mr. **Hewett**. I would give no subsidized export credits to the Soviet Union. I would encourage the allies, as we are trying to do, to follow a similar policy. I would certainly, on the other hand, allow banks that wanted to give commercial credit to the Soviet Union to do so; and consistent with our national security considerations, I would sell technology to the Soviet Union.

Mr. **Hamilton**. And agricultural products?

Mr. **Hewett**. Agricultural products.

Mr. **Hamilton**. You would encourage trade with the Soviet Union?

Mr. Hewett. I did not say that. I would not encourage trade with the Soviet Union. I would allow trade to occur on a commercial basis.

Mr. Hamilton. You would sell if they want to buy?

Mr. Hewett. I would sell if they want to buy.

Mr. Hamilton. Would you buy?

Mr. Hewett. Sure, if they have something to sell.

Mr. Hamilton. What have they got to sell?

Mr. Hewett. A lot of oil. They have some manufactured goods that they can sell, but that is the core of their problem. I would buy manufactured goods if they were competitive.

OUTSTANDING ISSUES IN UNITED STATES-SOVIET RELATIONS

Mr. Hamilton. Dr. Connor, when you look at the United States policy toward the Soviet Union today, what stands out to you?

Mr. Connor. Well, I think we are under a great deal of pressure, at the White House especially, to broadcast a more hopeful, a more optimistic view of the upcoming summit than I really feel is warranted. I am no great partisan of summitry in general, as opposed to more traditional, perhaps bureaucratic and slow, ways of conducting foreign affairs, and I don't really relish the prospect of a Geneva summit that is going to generate more effective public expectations in this country, of its very nature, than it is likely to in the Soviet Union.

Over the long run, with the Gorbachev administration in place, and presumably there for a while, I think we are going to have a much more complicated task in coordinating our policies with those of our Western allies, not only in the commercial area where it obviously, as with the pipeline imbroglio, becomes very difficult, but also in the more general areas of security policy.

I don't think we have quite yet seen all of General Secretary Gorbachev's peace offensive aimed at Western Europe, or at least it hasn't come to its full crescendo yet, but over the near-to-medium-term future, that coordination problem between ourselves and the NATO allies is going to be rather difficult. It has always been complex, and I do not think anything coming up in the near future is going to simplify it to any degree.

Mr. Hamilton. Do you have any sense that the Soviets are seeking to downplay United States-Soviet relationships? Would they like to get away from bilateral problems for a while and work on some of their own domestic problems, thus giving a lesser priority to tough matters like arms control, the United States-Soviet relationship and nuclear war?

Mr. Connor. Well, in some areas perhaps of United States-Soviet relations, that may be the case, but I would say that they are also continuing the attempt to decouple their relationships with our NATO allies from the quality, the nature of their relations with us at any given point in time. In that sense, you could say that perhaps more of an effort will be placed on general overtures toward Western Europe and specific West European countries, which will take some energy away from the bilateral Soviet-American relationship.

I don't think, on the other hand, they are likely to try to tell themselves that the bilateral, the bipolar aspects of the Soviet-American relationship are passé. Not in the case of SDI, not in the case of number of security issues that seem now to be having an effect on their military reshuffle as well. This may help explain why Marshal Ogarkov, now at the heights, and head of the Warsaw Pact forces, and could mean a more serious addressing of some of the issues that he raised before his downgrading about the need to respond to highly sophisticated, conventional weaponry on the Western side.

Mr. **Hamilton**. Dr. Olcott, would you comment on the policy question?

SOVIET FOREIGN POLICY IN THE THIRD WORLD

Ms. **Olcott**. First of all, when I think about United States policies toward the Soviet Union, the first thing that strikes me is what seems to me an inadequate consideration of the complexity of Soviet policymaking and the linkage between domestic issues and Soviet foreign policy. In my opinion, the Soviet Union is more dynamic and has more options, is more flexible than this administration has credited it with.

It seems to me ideology is less deterministic than is assured. There is more of a debate over policy options within an umbrella of ideology rather than a deterministic relationship between ideology and policymaking.

My own field of expertise has to do with foreign policies of the Soviet Union in the Third World. There, I think, has been an inadequate evaluation of the distinction between Soviet long-term goals, which are obviously to get nations as close to the Soviets as possible, and short-term policy objectives. What seems to me the priority of the Soviet Union right now in the Third World is to be conceived as a legitimate actor by the Third World nations as opposed to the conqueror, or the dominant force. That may well be their game plan for down the road, but right now, what they are trying to do is get their big toe in as a player, and that certainly would be one of the reasons why I think at least they are going to push and push in the Middle East until they are credited with some sort of role as a copeacemaker or cointerventionist.

UNITED STATES-SOVIET DIALOG ON THE MIDDLE EAST

Mr. **Hamilton**. Does that mean for U.S. policy in the Middle East that we should invite them in for a dialog or should we keep them out?

Ms. **Olcott**. I would say that as long as we keep them out, we are going to have trouble getting Syrian compliance, because right now the Syrians in my opinion, although not a a puppet of the Soviet Union, are a close friend and are likely to be encouraged to remain sensitive to the Soviet plight.

Mr. **Hamilton**. But if you invite them in, you are going to have problems too, right?

Ms. **Olcott**. Well, I think that they are better off in and publicly accountable than simply covertly manipulating. I am not optimistic as to what is going to happen in the Middle East in any event, but they have staked their claim to be involved in the process. If we choose not to meet their claim, then I think we should be prepared for the process to go on indefinitely.

Mr. **Hamilton**. Are we handling it about right now in trying to have some dialog with them with regard to the Middle East, or should we intensify that dialog?

Ms. **Olcott**. I think that we are going to have to intensify it ultimately. I think that what they have done now is say that a slow first step is better than nothing, but unless they feel that their interests are being taken into account, I don't think that they will admit any final solution in the Middle East.

Mr. **Hamilton**. Do you support King Hussein's proposal for an international conference?

Ms. **Olcott**. Yes; I personally do.

Mr. **Hamilton**. Do you think that would be helpful. Do you think the United States ought to agree to that?

Ms. **Olcott**. I think so; yes.

Mr. **Hamilton**. Mr. Lantos.

SOVIET STRUCTURAL REFORM

Mr. **Lantos**. I am sorry you asked those last questions, because I am tempted to take off on those, but I shall resist the temptation, Mr. Chairman.

This was a very rich testimony and as one who used to teach Soviet economy for many years in a different incarnation, I have a hundred comments and questions. I will have trouble restricting myself.

As I understand it, gentlemen, and I am saying that advisedly, because I have separate questions, for you, Dr. Olcott, both of you are basically saying that you don't expect much to come of the Soviet economic reforms. As a matter of fact, I found it intriguing that you, Dr. Hewett, open up the possibility of structural reform, but don't think that it is very likely to come.

You, Dr. Connor, basically speak about sort of the traditional direction of the Soviet society, alcohol, absenteeism, violation of the legal structure, the tremendous web of the gray and black market, and you don't expect much improvement along those lines. Am I accurate in sort of summarizing your pessimism or realism?

Mr. **Connor**. Yes; I think so.

Mr. **Hewett**. You are quite accurate in characterizing my pessimism about structural reform. I would only say that I think sometimes when we talk about what is possible in the Soviet Union, that we choose too narrow a field to consider what is going to happen by looking for whether or not they will meet the litmus test of structural reform. What I fully expect to occur in the Soviet Union is a set of rather large personnel changes, and changes in, for example, investment priorities, which will be rather notable by recent past standards.

No one who works on the Soviet economy can tell you with any precision what effect that is going to have. By putting better people into old institutions, by running different policies through those institutions, you could see some improvements in economic performance. It will not address their fundamental problems, but the growth rate could go up a point or point and a half. Better performance in manufactured goods production is also possible.

Mr. **Lantos**. Improvements at the periphery basically?

Mr. **Hewett**. Yes; marginal improvements.

Mr. **Lantos**. Marginal improvements.

Mr. **Hewett**. A little bit more than marginal, but nothing major. Marginal improvements for me mean an uptick of half a point in the growth rate, and the balance of payments improves. I think they might be able to do better than that but no one can tell you with any precision whether or not they will be able to.

GORBACHEV'S STATEMENTS ABOUT THE HUNGARIAN ECONOMY

Mr. **Lantos**. Gorbachev recently made some, if not negative, at least cautious observations about the Hungarian economic experiments which can be taken I suspect either as an indication that they have no intention of moving in that direction or they don't even like some of the European countries experimenting along those lines. What would be your reaction—both of you gentlemen?

Mr. **Hewett**. Congressman Lantos, if you take the sum total of Gorbachev's statements, he is not antagonistic to what Hungarians have tried to do. But he is not at all inclined to go that far, and that is the general view shared I believe, by most Soviet academic economists who watch Eastern Europe. If you find someone in the literature praising Hungary you know you have got someone that is hanging over the end of the political spectrum and has isolated himself. I do not anticipate that Gorbachev in the February Party Congress will get up and say I am glad Janos Kadar is here. This is the way we are going to go. He won't go that far.

On the other hand—I am a little bit puzzled—I assume you are referring to the Pravda article.

Mr. **Lantos**. Yes.

Mr. **Hewett** [continuing]. If several weeks ago—of what precisely that signal means. In recent times the Soviets have said several things to Eastern Europe. They have told the East Europeans to send us higher quality manufactured goods, and more food. They have asked them to invest in the Soviet Union, and to improve conservation performance.

Now, if Eastern Europe is to do all those things, then among other things, they will need to experiment with how they arrange their economic systems. There are Soviets who seem to be saying "all right, but be careful," and my bet would be that that is more what that article is about.

It has much to do with foreign policy. The Soviets do not want East European countries trying to serve as intermediaries. And Hungary is one of the countries who might accidentally misunderstand their role here. Second, in the economy they are saying be careful, don't go too far too quickly.

Mr. **Lantos**. Thank you.

Mr. **Connor**. Looking at this in terms of the human factor and the social consequences of economic formulas, I would think really the view from Moscow is that while it is all right to see the Hungarian economy doing not too badly, better than it might were it not for the economic reform now 15 years old, the last thing that

Gorbachev or any other Soviet leader would like to see would be Soviet society changing in the Hungarian direction.

There are only 10 million Hungarians who can, if necessary, be brought to heel by the Soviets. But they can't control past a certain point, reliably control their own society, set on a course that would so radically alter things as the reform process of 1968 has helped alter Hungarian society.

I have been impressed by the degree to which the Soviet protocol statements, paying attention to the experience of the East European states, and Hungarian economic results, will also mention the GDR and Bulgaria with equal approval. What about them as an example?

There is no reason to think Kadar is everyone's No. 1 draft choice. Another reason that I have real doubts about any kind of decentralizing market reform is that just as the NEM, the New Economic Mechanism, brought up a number of social tensions in Hungary and created a small cottage industry in studying the rippling effects of the early NEM, what could happen with Soviet society in an attempt to rely on the private sector, get it involved in certain kinds of services, maybe small manufacture, would generate tremendous sort of frustrations, I think, among parts of the Soviet population that felt they were being left behind.

For every person who felt he was somehow being given the chance to rise or fall on his own efforts, to take advantage of and exercise a new autonomy, there would be others who would feel somehow that part of that welfare net which supports them, Soviet-style, was being snipped away, and they were going to fall through. The latter would outweigh the former by two or three to one.

That is a kind of potential dynamite that even were Gorbachev, which I doubt he is in his heart of hearts, a person committed to decentralization, he would still have to consider very carefully.

COORDINATED WESTERN POLICY TOWARD THE SOVIET UNION

Mr. LANTOS. If I may turn to United States policy vis-a-vis the Soviet Union, it seems to me that the key problem we have in devising an effective policy is Western cohesion, and whatever recent or prospective example you look at, short of Western cohesion, our policy is going to be ineffective, were we able to evolve Western cohesion, our policy could be extremely effective.

For instance, going back to the grain embargo which failed because the other grain exporting nations didn't play ball with us. The grain embargo would have succeeded had the Canadians, the Argentines played ball.

My question really is, How important in your view, in the conduct of United States foreign policy, is the development of a cohesive, coordinated Western economic strategy vis-a-vis the Soviet Union, any of you?

CONTROLLING THE FLOW OF TECHNOLOGY TO THE SOVIET UNION

Mr. HEWETT. If I can clarify the question, how important for the effectiveness of the policy?

Mr. LANTOS. Yes.

Mr. **Hewett**. It is critical. Take, for example, the increase I have projected in Soviet demands for Western technology. Most of the technologies that the Soviets are going to be seeking will be produced in a number of countries, either in Western Europe or Japan.

If we can get an agreement among those countries to control the flow of that technology to the Soviet Union, we could have an effect on Soviet growth rates. On the other hand, if we move unilaterally to restrict the flow of United States technology to the Soviet Union, we will have virtually no effect, except shift orders to other countries.

If we want to devise a strategy to try to get Western cohesion around a policy such as that, then at the very least, the first thing we would have to do is to say that we are going to seek an agreement on restricting exports of grain. That is a far easier problem than manufactured goods, and if we want to convince our allies that this is a policy that we are willing to put our teeth into, then the first teeth we had better sink in should have to do with agricultural policy, exports of grain.

Politically, we are not about to do that in the United States. But even supposing we did that, it is fantasy to believe we could have a cohesive policy that would restrict the flow of technology to the Soviet Union in which Western Europe would be a willing, visible partner. It loses on the count of hopelessness before you get to the issue of effectiveness.

Mr. **Connor**. I generally agree very much with what he said, and I must say to my great chagrin, because it seems to me that in terms of the pace of technological innovation, which is expanding, both globally and temporally, at a rate such that countries in the Cocom arrangement will not necessarily have almost a monopoly on the development of new technology, the whole business of technology flow to the Soviet Union is going to get harder to control.

The Reagan administration's lifting of the grain embargo was a resolution of an extraordinarily difficult political problem, and the one thing that has been done in Soviet-American relations I was sorry to see happen.

I disagreed with it, because there is some good evidence that had we held on to the embargo, thus restricting the total volume for 1980–81 and the nature of the mix of grains that the Soviets wanted, the Argentines, Canadians, and Australians were not making up exactly what, in quality and quantity what we had been delivering. The embargo was hurting.

Over the long term, our problems in this area, economic coordination as a way of occasionally applying a stick as well as maybe waving a carrot in front of the Soviets, are probably going to grow more difficult.

Among other things we face the situation where in Western Europe, the pace of technological innovation has been slowing down versus Japan and the United States, and wherein the economic growth, the bounce back from recession, has not been nearly as marked as in the United States, with all sorts of complicating factors in Europe.

Some people think about the terrible temptation over the years to come; that is, that Western Europe's smokestack industries could find a ready market for a lot of their products in the Soviet Union and Eastern Europe, which haven't reached that level of sophisticated smokestack industry yet. That is a kind of pressure not terribly blatant, but when added to Western sensitivities about unemployment rates, it could really raise a tremendous pressure among some of the NATO allies to make a kind of accommodation between what they see as the needs of their economies and what Comecon sees itself as needing.

IMPACT OF THE SOVIET INVASION OF AFGHANISTAN ON SOVIET MOSLEMS

Mr. LANTOS. Dr. Olcott, I was fascinated that in your very excellent paper and presentation, you have said nothing about the impact of the Soviet invasion of Afghanistan on the U.S.S.R.'s Moslem population.

Ms. OLCOTT. I think that the impacts of the Afghan invasion is far from one-sided and certainly not clear. The level of information about Afghanistan given to the general population through public sources is very low.

The level of informal information that is coming back through the army is quite high. The Afghan invasion was probably a confusing thing for most Soviet Moslems.

One thing that probably disturbed them was the degree of resistance that the Afghans showed to the Soviets, because you are now talking about a population where this is the second or third generation that has been born under Soviet rule, where they obviously know that there was a lot of resistance to the Soviet rule at the time of the civil war, but that is being passed on from grandparents by now.

The first thing that shocked them is the degree of the Moslem response. For those who served in Afghanistan, it was probably a mixed experience for some, it obviously encouraged greater religious awareness and for others, it furthered a sense of ethnic antagonism.

One thing not reported in the popular press here as much in the technical publications, is that there has been so much inter-ethnic fighting in Afghanistan, where Turkish soldiers were fired on by Persian soldiers, so it was almost an ethnic carnage that many of these people are witnessing and being made a part of. Afghanistan is a very unpopular war in general in the Soviet Union. Those who fought there didn't want to fight those of Moslem background, many had the option to defect, whereas a Russian, had no choice but to fight or shoot himself in the foot; as a Russian was apt to be shot as an enemy in the act of defecting.

There is no clear pattern. It hasn't created the type, the level of antagonism to the regime that we would like to think that a war of Soviets against Moslems would create.

For some people, it was a disquieting event, but I am just recently back from a month in the Soviet Union, and 2 weeks of that time in border areas, Dushanbi-Tadzhikistan and Baku-Azerbaijian, and people talked about Afghanistan as a mistake the Soviets made, but not as an event that shocked their psyche or caused them to question their loyalty.

For the devout believers, it had that effect, but the devout believer is not the typical Soviet citizen of today.

SOVIET HUMAN RIGHTS VIOLATIONS

Mr. **Lantos**. I have one final question of all three of you which has great relevance to what we are talking about, although at first blush, it may not appear that way.

Both in Geneva, in dealing with the three sets of disarmament questions, and in the realm of economic relations with the Soviet Union, those of us who feel very deeply about human rights keep pointing out to our Soviet counterparts that we are most reluctant to make any agreements because of their palpable failure to live up to the agreement at Helsinki 10 years ago.

Unless there are significant and visible, tangible improvements in the field of human rights within the Soviet Union, the climate both for Geneva and for a much greater degree of economic interchange is very poor, because many of us are either incapable or unwilling to deal with human rights in a watertight compartment, but view human rights as being inexorably intertwined with the whole fabric of our relations with the Soviet Union.

The Russians have heard this now many times at many levels. George Schultz mentions it every time he meets with them. He is going to mention it in Helsinki, the day after tomorrow.

Congressional delegations going to the Soviet Union raise this as a paramount issue, and the Soviet parliamentary delegation was here in March, and they were told this.

What is your individual impression? Do the Russians, despite this almost monotonous repetition of position on our part, believe this is purely rhetoric, that we really are ready to do business on other items, irrespective of what happens to human rights, or do you feel that continued suppression of human rights is so important in the Soviet scheme of things, that they are willing to give up both economic benefits and possible progress in the filed of arms control negotiations?

Mr. **Hewett**. Those two possibilities are not inconsistent with each other. Clearly, Soviet leaders have no question in their mind that if they feel that dissidents are threatening the fundamental foundation of their regime, they will move decisively without fear of the consequences to control those dissidents.

It is striking over time how paranoid Soviet leaders have been. You know, from watching Hungary operate over time, that the difference in tactics is remarkable. One wonders why Soviet leaders do not at least take that page out of the Hungarian book.

To the question of how serious they feel we are, I can't say. It is my impression that they feel we do believe much of what we say, but that there are limits to how far we will go to pay for our beliefs by cutting off trade with the Soviet Union, by taking other agreements which would hurt us as well as them in order to register a displeasure on human rights. Really from their point of view, they are very practical people. What they ask themselves——

Mr. **Lantos**. That is what I question.

Mr. **Hewett**. They ask themselves as a practical matter, what does it mean to have U.S. Congressmen, U.S. leaders constantly talking about human rights issues? That question comes down to whether or not we, with our allies, could construct an effective policy that had teeth in it about Soviet human rights, and there, we have had some real difficulties over time, and will continue to have real difficulties. That is when the issue becomes practical to them whem it affects relations with Europe and Japan.

Mr. **CONNOR.** The Soviet domestic leadership consensus thus far has been one that places an immense value on crushing spontaneity, something Lenin didn't like at all, and keeping the society very tightly under control.

Where we have seen the quid pro quo movement was on issues of emigration, certainly something related to human rights, but very different in that you are taking, malcontents, from your own point of view, and trading them across your border in return for delivered or anticipated economic and diplomatic gains.

That whole formula of the seventies came apart, and we hear now inklings perhaps that there might be some interest in going this route again, but certainly to look upon Western incentives, either in the economic area or in the security, arms control area, as a way of turning the Soviets toward a purposeful liberalization of their own sort of regime, an almost Dubcek-style Czechoslovakia 1968, a cleansing of the party, the political order, that is something that is very unlikely.

It may be that the regaining of a measure of freedom is going to have to be the task of the various Soviet peoples rather than one that we can expect to have a major role in promoting.

I think the leaders do regard that tight control of their own society as a sine quo non, and this is more likely to be the case if Gorbachev does embark on a number of measures to change the way people work.

There is also a sense in which the Soviet Union in the early 1970's, mid-1970's, lost a kind of historic opportunity. It may take very statesmanlike behavior to recognize these opportunities. When the Soviet Union achieved strategic parity with the United States, one of the ways, I think, to make themselves diplomatically a superpower and thus achieve a political parity whose lack Gromyko found very galling, was to put the relationship with the East European countries on a new footing showing a Soviet confidence that they were the masters of their own security concerns without this kind of anachronistic occupation, of 150-some million people on their western borders. That would have obviously changed the world over the last 10 years, and perhaps a lot of the agenda at hearings like this.

Clearly, then, they didn't do it.

Ms. **OLCOTT.** I agree, and I would like to add two quick things. As we all agreed, Gorbachev's priorities right now are with the economy, if he is going to try to institute some changes and reforms there, that is where he is going to have to put his influence. This leaves him with very little left to do something as audacious as switching the Soviet stand on human rights, he would need to use a lot of influence to put forward that change.

So right now, that shift would be costly for Gorbachev at a time when he is garnishing his support for his economic programs.

And the other thing I would add is that Gorbachev right now feels he has time to his side. He knows the current administration's position is not just a rhetorical premise but he also knows that every 4 years, the American Presidency comes up for grabs. If he doesn't give in now and arms control talks don't work, in 2 more years, or 6 more years, maybe his economy will be in better order; maybe then if he wants to make concessions, he will be in a stronger position, maybe then he won't have to make those concessions. But he is as aware of our electoral processes, fluctuations of policy, as we are of the whole politics of succession there.

Mr. **Hamilton**. Mr. Reid.

GORBACHEV'S POTENTIAL LEADERSHIP

Mr. **Reid**. I am troubled when I hear academics saying Gorbachev, Gorbachev, Gorbachev, when I didn't think that he makes many decisions on his own. I think that it is still a collective leadership in the Soviet Union, and I don't think one person makes that much difference.

I think that while he dresses nice and has an attractive wife, I am not certain that he is much different than the past Soviet leaders. I think they all took their steps from the board of directors, so to speak.

Do you agree or disagree?

Mr. **Hewett**. That is a strong characterization of the weakness of Gorbachev. He is chairman of the board. Clearly, he is part of a collective leadership, but as someone who has been reading the speeches and watching what is happening, I see him putting his imprint on that bureaucracy with supprising rapidity.

To take someone like Ryzhkov involved in the economy, and jump him into the Politburo; to take Ligachev, another close associate, and bring him into the Politburo very quickly, a few months after he has assumed office; to make a move like Shevardnadze which was unexpected by every one of the academic specialists, it was so bad——

Mr. **Lantos**. Psychics predicted it.

Mr. **Hewett**. I haven't even heard academics say afterwards that they thought about it, but had not publicly predicted it—he is doing things that are surprising us.

His speeches are almost as remarkable as Andropov's for the willingness to talk about economic problems and to talk frankly. The breadth of the debate he is allowing is striking. In those senses he is different than past leaders, but nothing has really happened yet. There is a lot of talk, and personnel changes, but nothing has happened yet.

Mr. **Reid**. You said that is because only 4½ months has gone by.

Mr. **Hewett**. On March 1, after the Party Congress, if he gets up at that Party Congress and gives another good speech but doesn't announce anything and hasn't by then, then Gorbachev's honeymoon is over at least with this Western specialist.

Mr. **Reid**. True, it is a collective leadership, but he has the potential of being a very strong leader of the board of directors.

Mr. **Hewett**. Correct, he is in the process of building the collective that he leads.

Mr. Reid. Do we have anything to indicate in past history, to indicate that under the Soviet system that is possible?

Mr. Hewett. That what is possible?

Mr. Reid. That an individual can have a significant impact?

Mr. Hewett. Stalin. Khrushchev: Look in the Sovnarkhoz reforms in 1957, where he broke up the ministerial system, and gave regional party officials much more authority than they had for a long time. That was an impact on the system.

He lost his job because of the impact on the agricultural performance, a negative impact.

Mr. Reid. So, you just, to make this succinct, you disagree with those who say that an individual leader in the Soviet Union cannot have much impact.

Mr. Hewett. Yes; I do disagree.

Mr. Reid. Dr. Connor, do you agree?

Mr. Connor. Yes; let me phrase it this way, Congressman Reid. We have some precedents looking at especially the Brezhnev period that lasted 18 years, but also relatively few Soviet leaders since Lenin. The accretion of power can come slowly or rapidly to a person who leads a collective leadership, elected by the other men around the Politburo table.

It depends on how long the people who gave you the nod and moved you to the head of the table remain at the table, remain in position.

For Brezhnev, they remained for some time. It took quite a while for him to build up the preeminence over Kosygin in general affairs, to finally take the higher profile in foreign affairs, remaining still a collective leader, but one who really could lead the Politburo, set the agenda, the terms of discussion.

Gorbachev comes in at a time when the ability to move people up from the echelons just outside the Politburo into it are increased by the superannuation of that leadership.

The young people he has promoted are all somewhat older than he, but in a sense, of his generation. It is in this sense that the fast move to reshuffle and bring new people into the top levels, has impressed a number of Western analysts.

It doesn't mean that he doesn't need these people or that they will move like automatons whom he can just direct, and it does not necessarily mean that change of a particularly radical sort is likely, or will necessarily come.

The sorts of people Gorbachev has promoted, Ryzhkov and more recently Yel'tsin and Zaikov, are pro-heavy industry, from the planning apparatus, the best 50- to 60-year-olds of a somewhat mediocre and shopworn system.

They can get something out of what is left in this economic design: How much is the big question.

Mr. Reid. Do you agree?

Ms. Olcott. I agree. I would add that Gorbachev has an extraordinary opportunity to shape the Central Committee, that at no point in time since the great purges, when the whole 17th Party Congress was basically killed off, will there be as many vacancies as Gorbachev he has to fill at the next Party Congress, because he inherits those positions where he has forcibly retired individuals and especially First Secretaries of the various provinces, but also those 40 or so Central Committee members who were retired by Andropov during his 14 months in office.

The real question is whether he will find enough cadres to share his values to appoint to those positions. No one up to this time has had such an incredible list to fill. I don't know if he can find people that share his vision to fill all those slots.

NUMBER OF SOVIET MOSLEMS SERVING IN THE MILITARY IN AFGHANISTAN

Mr. **Reid**. In Afghanistan, are Soviet Moslems serving in the Soviet occupation forces in excess to the percentage of the population they have in the Soviet Union, or do we know what number of Soviet Moslems are serving in the military in Afghanistan?

Ms. **Olcott**. In unclassified material, there is no specific number that I have ever seen. We know Moslems are still being used because accounts of their deaths are appearing in the Central Asian papers and accounts of their meritorious service as well, to serve as models to other Moslems are appearing in the papers; so they are there, but we have no sense if it is in excess or not in excess. We do know that large numbers of technicans are serving; the staffs of the educational administrations, of the health ministers, most of the technical parts of the Government in Afghanistan are being staffed right now by people from Soviet Central Asia who have the native language skills.

The curriculum is being exported from Tadzhikistan and being taught by Tadzhiks—that is clear from press accounts and corraborated by my own travels.

Mr. **Reid**. You spent some time in the border areas?

Ms. **Olcott**. Not on the border, they——

Mr. **Reid**. Not in Russia?

Ms. **Olcott**. On the Soviet side in the capital cities of two of the border Republics.

Mr. **Reid**. Is there a lot of talk about war?

Ms. **Olcott**. In the circles I was in it came up because this was the field that we were all studying.

Mr. **Reid**. It wasn't shocking, it was just, they talk about it with——

Ms. **Olcott**. It is 5, 6 years now, and now for the first time they are broadcasting accounts of the Afghan war on the TV. It is there.

Mr. **Reid**. As far as creating any problems within the Soviet Union, you don't see anything at this stage?

Ms. **Olcott**. At the level that I was at, I didn't see any.

Mr. **Reid**. That is where it would be?

Ms. **Olcott**. No; probably in the villages, among the people that were still devout believers, in the areas where Western academics would really not have access, and it is not the sort of question you can ask a host without truly making yourself unwelcome.

Mr. **Reid**. That is not a question that you are capable of answering based upon your latest trip to the Soviet Union?

Ms. **Olcott**. I can't speak from personal experience to what is going on in those communities of devout believers. My evidence is, from the antireligious propaganda being distributed in those areas, which I do have access to, and this does not reflect concern for a major sort of problem.

In areas where there has been a proble, like in Turkmenstan from the Iranian radio broadcasts, antireligious propaganda comes out quite strongly against it. There is no parallel propaganda effort that is going on along the Afghan border that to parallel that on the Soviet-Iranian border.

No reason they should have the propaganda effort around the Iranian border, and be more tenuous about propagandizing against foreign influence along the Afghan border.

Mr. **Reid**. Thank you, Mr. Chairman.

POLICY OF ECONOMIC WARFARE AGAINST THE SOVIET UNION

Mr. **Hamilton**. As a general approach to the Soviet Union, I take it from your earlier comments that you think we ought to encourage and welcome economic reform in the Soviet Union, that we ought to seek to increase trade and economic cooperation with the Soviet Union, except those items that have a direct military application, and that you reject the other view, which is that we should seek to put all kinds of pressures and strains on the Soviet economy in order to make it collapse. Is that right?

Mr. **Hewett**. Correct. I reject the view that we should pressure the Soviet economy in an effort to make it buckle.

Mr. **Hamilton**. Why?

Mr. **Hewett**. Think about the other policy where we decide to use all of the instruments at our disposal to weaken the Soviet economy. If we take every instrument in our arsenal and shoot it off at once, it is the equivalent of a cap gun from the point of view of the Soviet economy. It would have a very minor impact on the Soviet economy.

You have to go back to the problem with the allies, you have to have the allies work with you on a policy like that. I think that even to attempt to get the——

Mr. **Hamilton**. I presume you think that it would be impossible to get the allies to agree to a policy of economic warfare?

Mr. **Hewett**. Even to attempt to do it would do more damage to our relations with the allies than really would be justified by the attempt to do it.

POOR PERFORMANCE OF THE SOVIET ECONOMY

Mr. **Hamilton**. You mentioned in your statement that the Soviet economy really has not performed very well in recent years. Why hasn't it performed well in recent years? What would you identify as the chief factors for their poor performance?

Mr. **Hewett**. There are three sets of reasons. The first set reflects what happens when an economy matures. Labor force growth rates are falling in the Soviet Union. They are down under 1 percent now, and that reduces possibilities for growth. The growth of the capital stock is falling, which means the growth rate of labor productivity is falling, and the productivity of capital is falling. These are natural factors that work on any economy.

The second set of factors relates to the policies they pursue. For example, their policy to guarantee self-sufficiency, fuels, raw materials, and to use those as exports, has cost them a great amount of capital over time. They are out in northwest Siberia developing new oil fields at a high marginal cost and the total cost to the economy is such that probably this year, they are spending in the neighborhood of 47 to 48 percent of all industrial investment just on the transportation and production of fuels. And that policy, that has drawn capital away from the manufacturing industry.

Mr. Hamilton. How good are those figures?

Mr. Hewett. Quite good. There are a lot of bad figures around, but those are not so bad. That is a fairly good estimate. We have a fairly good handle on the structure investment.

There are other policies you could argue that have pushed the growth rate downward and created other problems. The very high priorities for defense, putting at least 12, 13 percent of GNP for defense, has drawn away the most talented people from other industry, which contributes to the problem of the quality of the goods and services they produce.

The third set of problems is the system itself. If you were a factory manager and making decisions on what your factory should do, you would innovate, or try to satisfy your customers or operate more efficiently, and you would try to keep your ministry happy.

Mr. Hamilton. Isn't the party bureaucracy the reason they don't innovate? The need to innovate is so obvious to anybody who looks at the economy, why don't they do it?

Mr. Hewett. Put yourself in the place of an enterprise director. Suppose you are going to introduce a new production process to have a more efficient operation. You call up your minister and you say, "I have a great idea. I am going to renovate the factory. It will be down for 3 months, up September 1."

And the Minister says, "No, you don't. I want you to continue producing the goods that you are producing, and renovate at the same time, because I have promised Gosplan those goods will be available."

The whole incentive system is biased against innovation.

Mr. Hamilton. Thus you see a Soviet economy struggling with these problems down the road, and the leadership of the Soviet Union attacking those problems on the margin, but not head on. Will the most likely course be that they are going to muddle through for a while?

Mr. Hewett. Yes.

Mr. Hamilton. At some point, they are going to have to confront these problems, and they are either going to have to make radical change or the economy is not going to meet the demands. Would you agree?

Mr. Hewett. I am comfortable with the statement. In trying to make sense of why it takes so long to do what should be done in the Soviet Union, it might be helpful to think about a parallel issue in the United States: Tax reform.

All of us know just in terms of sheer logic why the tax system should be reformed, and all of us can agree on the principle. Everyone has agreed to the principle in the Soviet Union that the economy should be reformed, but when you try to devise a strategty that affects people's interests, that is when you start thinking in terms of years, instead of months.

For Soviet economic reform, you might as well think in 5-year chunks.

SOVIET LAG IN COMPUTER AND OTHER TECHNOLOGIES

Mr. **Hamilton**. Does the Soviet leadership appreciate the fact, for example, that they are falling behind in computer technology and other technologies that are transforming the economies of the West? Are they pretty worried about it?

Mr. **Hewett**. They do appreciate it very much. Gorbachev says in almost every speech, that the main problem they face is science and technology in the economy. It is important for political and national security reasons.

Right now, he is trying to go after the personnel and the machine organization of 11 machine building industries, which form the core of Soviet machine building. Each ministry has collegiums, and they are now meeting, and the reports are being published in the major newspapers and the frankness of those reports is striking. The Ministry of Machine Tool Making controls an industry that is back in the fifties, and is not ready to jump into the seventies, let alone the nineties. A third of the newspaper article reporting on a meeting in that ministry described how terrible the meeting went, how formalistic the approach is, and how a number of these people are going to have to be changed.

Gorbachev is going after the personnel and the organization of those ministries. I don't think it is going to work. As a politician, it is quite natural for him first to try to go for the sort of manageable problems, and then——

DECLINE IN SOVIET OIL PRODUCTION

Mr. **Hamilton**. How serious is the fact that the Soviet oil production has peaked and is beginning to decline? What are they doing about that?

Mr. **Hewett**. Short term, a very serious problem. They are still getting three-quarters of their hard currency from energy, and that, combined with the softness in oil prices, means that they are looking at substantial declines.

Mr. **Hamilton**. How much decline in production?

Mr. **Hewett**. Right now, they are down to 11.9 million barrels a day, and they peaked out in late 1982 at a rate, daily rate of 12.4 to 12.5 Mbbl/d. There is a very good chance it will keep going down, the economics suggest that is just what should happen.

Medium term, it might not be a serious problem for them. What they are doing is substituting gas for oil in domestic uses and they have tremendous possibilities for that.

Mr. **Hamilton**. What are the implications for Eastern Europe?

Mr. **Hewett**. If I were an East European planner, I would be very nervous about the next 5 years. Start looking for ways to use natural gas, that is what I would do.

SOVIET ABILITY TO DEAL WITH INTERNAL PROBLEMS

Mr. **Hamilton**. Dr. Connor, I am curious about the internal problems that you refer to in your statement. How good do you think the Soviets are at dealing with these internal problems? How good are they at dealing with the conflicts that arise from these problems?

Mr. **Connor**. Well, certainly good enough that thus far, the society and the whole political order have not been torn apart from the inside, and that is probably due to a combination of things.

First of all, this is after all a regime that is ready and able to use repression to a degree that many westerners find hard to credit, but it is a system whose leaders will ultimately, if need be, rely on the use of force, to a much greater degree than, for instance, the leadership of Poland confronted with what they were well before August 1980, felt able to do.

One part of it is that this is a government which sees itself as needing to be a strong government, a strong regime, and will act that way when challenged and the people very much understand that.

Mr. **Hamilton**. Do they accept it or agree with it?

Mr. **Connor**. They accept it as a fact of life, Mr. Chairman. To think of a political order that the citizens jointly or severally can affect in very important ways, is something that lies beyond the comprehension of most Soviet citizens.

I mean this in the sense that their cultures for the most part, except for the peoples of the Baltic, and the western edges of the country, are not those of the West, not affected the Renaissance, the reformation. This makes a big difference.

FUTURE OF THE POLITICAL AND SOCIAL STABILITY OF THE SOVIET UNION

Mr. **Hamilton**. Do you see any chance of disruptions in the political and social stability of the Soviet Union between now and the end of the century? Would it surprise you if those kinds of developments took place?

Mr. **Connor**. Not if there were a long enough lead-up to it that would probably go along the paths of either severe economic downturn, a long-term recession that affects the consumer sector and agriculture as much as the numbers on investment and production of heavy machinery, that sort of thing, and/or if the Soviets somehow became involved in a long-term conventional military conflict, much larger in scale than Afghanistan, and which came to be felt at home very strongly.

Mr. **Hamilton**. When you talk with Soviet citizens, I get the impression that they are enormously proud of their progress in economic development, and economic growth. I presume one of the reasons that they have had internal stability is because that perception is strong, at least among a lot of people.

Suppose you have the situation develop that Dr. Hewett thinks will occur and that is a period of stagnation in the growth, prosperity, and the growth of living standards. Would the likelihood of instability in the country, increase?

Mr. **Connor**. Yes; you will increase the likelihood of episodic strikes breaking out in various factories, various areas.

Mr. **Hamilton**. Can you identify any sources of opposition to the regime in the Soviet Union? I don't mean that in terms of individual dissent, but in terms of political opposition? Is there any such thing in the Soviet Union?

Mr. Connor. Some of the hardest core of it is on a small scale, but basically is in the Baltic Republic of Lithuania, where you have a Polish situation of a combination of feelings of ethnic solidarity and menace to ethnic identity, linked with a strong commitment to the Catholic faith and the seeing of these two things as almost an unbreakable whole.

INFORMATION TO SOVIET CITIZENS ON POLAND AND SOLIDARITY

Mr. Hamilton. Are the people in the Soviet Union informed about the developments in Poland, for example? Do they know about Solidarity and the protests?

Mr. Connor. The information they get through Soviet sources is very tendentious. Solidarity is billed as a right-wing conspiracy, manipulating Polish workers and aiming somehow at destroying all that socialism accomplished, in the often-quoted phrase, of over 40 years of "Soviet-Polish friendship."

We do have some evidence, at least in the western areas of the Soviet Union, in Lithuania and in the Baltic, perhaps the western Ukraine, that more information did get through about what was going on, the motivating factor behind the workers involved in Solidarity. Some newspaper correspondents picked up on this, when they asked Soviet workers, "Do you think you could have anything like that happen here, a workers' movement that could organize pressure on the government?"

The notion was no. Question, "Why?" "Well, because they would shoot us." They wouldn't deal with that the way the Polish Government did. They are readier and more self-confident, in having recourse to direct physical repression against their own population than certainly any Polish Government probably has been since the late forties.

LACK OF OPPOSITION TO GORBACHEV

Mr. Hamilton. As a political matter, the absence of opposition to Gorbachev is striking to me. I mean, you read about the internal problems within the top leadership of the Soviet Union, but can we identify anybody in that top leadership who is against him?

Mr. Connor. Well, no; I wouldn't think that we could really identify anyone consequentially in opposition to Gorbachev. We can presume some of the older people of the Politburo—part of the Brezhnev generation, Kunayev, Shcherbitsky in the Ukraine—are people who might very well have rather had another sort of person than Gorbachev, but the ends of their political careers may be coming faster because it is Gorbachev.

If, at the level of Secretariat and Politburo, there are people who oppose Gorbachev, close to his own age, and I were them, I would keep those convictions very quiet for now, and see what happens, perhaps as soon as the end of 1986. Because he came to the job 4 years earlier in age than Brezhnev did in 1964, does not necessarily mean that even if his health holds, he is going to be in for 18 years.

RUSSIAN AND ASIAN BIRTH RATES

Mr. **Hamilton**. We hear a lot about the difference in the birth rates between the Russian population and the Central Asian population. I have been told it is two and a half times greater on the Central Asian side than on the Russian side.

What are the implications of that for the Soviet Union, and how soon will those implications be identifiable?

Mr. **Connor**. Outside the economic sphere itself, and the problems of the labor force, of excess and shortage, it will be probably well into the next century before any clear political consequences of this become evident.

One thing I think——

Mr. **Hamilton**. It is not going to be your problem.

Mr. **Connor**. One thing to recall in this regard, and perhaps it is a controversial line, is that we tend to talk in terms of the numbers of Central Asian Moslem people growing, and compare this to a gradually declining number of Russians, a single ethnic group making up something like 52.5 percent of the population, and that probably an overestimate.

I am more impressed in some ways by the fact that, as of 1979, Russians, Ukrainians and Byelorussians, the three major Slav ethnic groups, made up about 72.5 percent of the total population. For all the fact that Russian-Ukrainian relations have not always been good and there surely is, especially in the western Ukraine, a good deal of anti-Russian, anti-Soviet nationalism, these three Slav groups are still quite similar in culture, probably fairly similar in the way they view other ethnic groups, and they are more likely to hang together than to feel their interests to be separate in any situation of large-scale ethnic conflict.

ATTITUDE OF YOUNG SOVIETS

Mr. **Hamilton**. What can you tell us about the young people in the Soviet Union? Is there any indication of discontent, disenchantment with the leadership?

Mr. **Connor**. There are probably more an amount of disillusionment with everyday life, in a sense. I don't have the impression that Soviet young people, for the last 20 years, have been particularly political, spend a lot of time thinking about politics, a matter about which they have really less information than we do.

There surely are social tensions between older and younger generations in the Soviet Union, but they probably manifest themselves as much in lifestyles, tastes in music, clothing, so far as things are reflected in that economy of scarcity, as in particularly political ways.

CORRUPTION AND ALCOHOLISM IN THE SOVIET UNION

Mr. **Hamilton**. Is corruption a much bigger problem today than, say, 10 years ago in the Soviet Union?

Mr. **Connor**. I know of no way to quantify that. My hunch, my guesstimate would be that that corruption, as a kind of human activity has increased as the economy has failed to deliver those incremental but cumulative increases in the standard of living people expect.

Mr. **Hamilton**. Has alcoholism also increased?

Mr. **Connor**. It seems to have, in that the 4.4 percent that I cited as the annual consumption growth rate has been going on, we estimate, for the last 15 years, right up to the present.

Mr. **Hamilton**. If you were to make a guess, would you think that the Soviet campaign against alcoholism will be successful?

Mr. **Connor**. Certainly not if you define success as getting people under 21 to stop drinking, ending the illegal production of moonshine, generally sobering up everyone at the workplace, and reaping some of the direct benefits supposed to come from a more sober, industrious population.

We will get some marginal effects, I am sure. There is heavy press coverage of the campaign since it began, but like a number of other things that are made the subject of a campaign in Soviet life, the Soviet alcohol problem is a very gritty, persistent kind of reality, and I don't see any way that this particular leader is going to make tremendous inroads into it.

SOVIET POPULATION GROWTH

Mr. **Hamilton**. Dr. Olcott, would have you any comments about that question of population growth that I asked about a moment ago?

Ms. **Olcott**. I would say it will have consequences. I would think that——

Mr. **Hamilton**. When?

Ms. **Olcott**. Before the end of the century.

Mr. **Hamilton**. Why?

Ms. **Olcott**. Because of the difference in the age structure of the nationalities that, by the end of the century, one-third all children zero to 9 will be born in Central Asia and in the Caucusus, and right now, almost half the Central Asian population is teenagers and below, and they are going to be entering the work force and the military in increasing numbers.

In the last few years, you can see the military beginning to respond with dismay over how they will cope with the poor level of Russian language competence of many of the people they are drafting.

You have a situation where about 20 percent of all new conscriptees in the military come from non-Russian backgrounds and many have a poor or mediocre knowledge of Russian, and you are throwing them into an all-Russian institution. You also have the manpower problem, already even in the large cities they are finding that people to fill skilled jobs are in short supply.

In January, people talked about how and even with the promise of Moscow registration and housing, they couldn't fill all the plumber and electrician jobs in Moscow. It is far worse outside the very big cities, and will grow worse. That is an impact of the shifting demographic balance.

ETHNIC MAKEUP OF THE SOVIET LEADERSHIP

Mr. Hamilton. All of the leadership in basic institutions, including the military, are Russians; would that be correct?

Ms. Olcott. Well, you now have——

Mr. Hamilton. You have very few of the elite today——

Ms. Olcott. Very few, but two have conspicuous exceptions: the Deputy Prime Minister of the Soviet Union is Geidar Aliev, an Azerbaijiani and the new Foreign Minister is Georgian.

Two of the most senior positions for the first time are filled by non-Russians.

Mr. Hamilton. Do you think that is a conscious decision on the leadership's part; we have got to bring more non-Russians in or we are going to have trouble out in the provinces?

Ms. Olcott. I don't think that either of those men were appointed because they were a member of the national minority. I think they were appointed because they were members of national minorities who the leadership thought, Andropov and Gorbachev respectively, would do good jobs in the position, but I certainly think that, in the case of Shevarnadze, there was a calculation of the foreign policy advantage gained in the Third World by having a non-Russian as Foreign Minister and in the case of Aliev of the domestic advantages.

NUMBER OF MOSLEMS IN THE SOVIET UNION

Mr. Hamilton. How many Moslems are there in the Soviet Union today?

Ms. Olcott. Fifty million of Moslem extraction.

Mr. Hamilton. Where mostly?

Ms. Olcott. Sixty-five percent live in Central Asia and the Caucasus. Twenty percent live in the Tartar region. That gets you to 85 percent.

Mr. Hamilton. And that is what percentage of the population; 20?

Ms. Olcott. The Soviets say by the year 2000, 20 percent will be Turks, and that doesn't take into consideration all the non-Turkish Moslem population. Today it is probably around 18 or 19 percent of the total population, but they live disproportionately on Third World borders.

Mr. Hamilton. Are there a lot of them along the Chinese border?

Ms. Olcott. Yes; but that is a really difficult border to cross. On both sides, they hate each other, too, so the more tenuous borders are the borders of Afghanistan, Iran, and Turkey.

Mr. Hamilton. What about the treatment of the Soviet Moslems? Do they consider themselves to be deeply discriminated against?

Ms. Olcott. Those that spend their lives living in their own republics generally don't, but the level of political knowledge lower and the level of political apathy be higher than in Russian areas. The question of discrimination would come in when people had ambitions to go beyond the republic, and they are few in number, or would be felt by people who are devote practitioners of their faith; but for the majority of Soviet Moslems, who are reasonably content, who don't have a very high knowledge of their religion, who practice ritual but don't pray daily and who don't have the ambition to go to Moscow to fulfill their career ambition, they wouldn't be very conscious of discrimination.

Mr. HAMILTON. Is there any evidence that the Moslems in the Soviet Union are becoming much more politicized and active?

Ms. OLCOTT. There is evidence that they are becoming much more culturally aware. Throughout the literature in these areas, throughout the movies, the TV, there is a much higher assertion of national consciousness, including a determination to preserve the historical role of Islam, but there is no evidence that they are becoming a political opposition; and if you look at the role of Islam in promoting religious opposition in Central Asia and compare it to Catholicism in Lithuania or in the western Ukraine where there is a mass supported drive for increased religious freedom rights, you find a relatively low level of politicization in Central Asia.

The issue in Central Asia is much more one of cultural autonomy; it is one that the regime finds the easier to give into because at this stage it is not directly threatening its ideological supremacy.

SOVIET MOSLEM LEADERS' VISIT TO JORDAN

Mr. HAMILTON. We recently had two Soviet Moslem leaders go to Jordan. Why? Do you have an explanation for that?

Ms. OLCOTT. Yes. The Soviets use the formal religious establishment of four religious administrations. They use them to what they perceive as their foreign policy advantage. They send these people abroad a lot.

Mr. HAMILTON. Does it help?

Ms. OLCOTT. It depends upon in which country.

Mr. HAMILTON. Would it help in Jordan?

Ms. OLCOTT. In Jordan, it probably would help. In Saudi Arabia, it probably wouldn't.

Mr. HAMILTON. Why?

Ms. OLCOTT. The more fundamentalist the country, the more the country lives by rule of Shariat law, the more likely they would be to find objection to the Soviet legal restrictions on their Moslems?

Mr. HAMILTON. Do we have Middle East Moslem delegations going to the Central Asian republic?

Ms. OLCOTT. Yes.

Mr. HAMILTON. They do that?

Ms. OLCOTT. They do that. It is a quid pro quo.

THE SOVIET UNDERGROUND ECONOMY

Mr. HAMILTON. Dr. Hewett, I skipped over a question on the underground economy in the Soviet Union. Could you give us your assessment of the importance of that?

Mr. HEWETT. Mr. Chairman, you can't put numbers on that, although people have, and the numbers go up to about 25 percent.

Mr. HAMILTON. Those are the bad figures?

Mr. HEWETT. Western numbers, and those are the worst. I would simply say that in industry, the so-called underground economy, while probably relatively small, is critical. Any large Soviet factory will have some people on its staff whose sole task is to go out into the second economy and acquire materials they would not otherwise get. They are called pushers or expediters. You can't go down the payroll and find the expediter department, but they are in there. Their sole job is to run around the Soviet Union and obtain scarce materials in trade for things that they have; in order to meet the plan. In a way, the second economy is the oil that makes the plan work.

For consumers, the second economy is very important in some areas—services, for example. To give you an example, the automobile is beginning to come to the Soviet Union. About half of all the automobile servicing done in the Soviet Union is done by the second economy, and about half of the spare parts acquired are acquired at prices sometimes six to eight times as high as the official state price from the second economy.

Mr. Hamilton. You mean people who repair automobiles in their garage or somewhere?

Mr. Hewett. Yes; some people repair it in their garage. Some people have it done by some in the neighborhood or the local area.

Mr. Hamilton. Pay him?

Mr. Hewett. Pay him.

Mr. Hamilton. And that is illegal?

Mr. Hewett. It is illegal, but it is so large in some cases, it is recognized. The numbers I am giving you come straight out of Soviet journals, so it is not a secret. The problem in saying how important the second economy is is illustrated by these spare parts. Spare parts don't drop out of heaven. They are stolen from the factories that produce them, and then as one Soviet author says, "They miraculously show up in the second economy," so part of the second economy is just income redistribution. Some people steal scarce parts and make a lot of money reselling them.

Mr. Hamilton. You have got us off to a good start on these Soviet hearings. We appreciate that very much. We have had you working for a couple of hours here. I am always very aware that it is a lot easier to ask the questions than it is to answer them. You have done a good job. We are glad to have had you.

The subcommittee stands adjourned.

[Whereupon, at 4:05 p.m., the subcommittee was adjourned.]

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SOVIET UNION: DOMESTIC ISSUES AND MILITARY TRENDS

Trends In The Soviet Military

THURSDAY, DECEMBER 5, 1985

House of Representatives,
Committee on Foreign Affairs,
Subcommittee on Europe and the Middle East,
Washington, DC.

The subcommittee met at 2 p.m., in room 2200, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the subcommittee) presiding.

Mr. Hamilton. The meeting of the subcommittee will come to order.

The Subcommittee on Europe and the Middle East meets today on the subject of trends in the Soviet military, the third hearing in a series of hearings on United States-Soviet relations.

The subcommittee is especially interested in the implications for U.S. policy of key developments within the Soviet military, including civilian-military relations, changing weapons doctrines, and the relationship of the military to the economy and society at large.

What trends in the Soviet military should be of concern to the United States, and have U.S policymakers taken them into account?

We welcome before the subcommittee Dr. David Holloway, senior research associate, Center for International Security Studies and Arms Control, Stanford University; and Dr. Timothy J. Colton, director, Center for Russian and East European Studies, University of Toronto.

Gentlemen, we are very pleased to have you with us today.

Dr. Colton, I understand you do not have a written statement. Is that correct?

Mr. Colton. That is correct.

Mr. Hamilton. Dr. Holloway, your statement, of course, will be entered into the record in full, and we will ask you to summarize your statement in 10 minutes, or so; and Dr. Colton, we will turn to you now to begin testimony for whatever comments you would like to make, and then we will turn to questions after you both have finished.

Dr. Colton, you may proceed.

STATEMENT OF TIMOTHY J. COLTON, DIRECTOR, CENTER FOR RUSSIAN AND EAST EUROPEAN STUDIES, UNIVERSITY OF TORONTO, TORONTO, CANADA

Mr. COLTON. Thank you, Mr. Chairman, for inviting me to come to this hearing.

I will begin by saying the obvious that I am not a citizen of the United States. I am a Canadian citizen, who has many times and for long periods enjoyed the hospitality of the United States, but I do speak as someone who has not sworn allegiance to the flag of the United States.

I did not do a written presentation, which I regret, but I simply was not able to in the time I had.

I might also mention that I am a specialist on Soviet internal affairs, who has done some work on Soviet civil-military relations. What I have to say is mostly from the point of view of someone who has concentrated in his research on the Soviet domestic political system.

You asked in your letter to Dr. Holloway and myself about trends in the Soviet military, and I have tried several schemes for summarizing these trends. I am going to be more selective than I understand my friend David Holloway has been.

I would like to say a word first, and briefly, about long term and systemwide trends, and then a little bit more about short-term and intermediate trends.

In both cases, though, I think a major point I would try to make, and that I would be happy to elaborate on later, is that the Soviet military is as much subject to trends that are running through the system as a whole, as it is the origin of trends that are affecting the system.

As for these long-term trends the timeframe that they have taken to evolve varies a good deal from one issue to another. But they have become quite a bit more visible since the late 1970's, a fact which the Soviet leaders themselves, and the military command for that matter, now acknowledge. These systemwide trends have inevitably had their effect on the Military Establishment, which is, after all, a part of Soviet society and a creature of the overall system.

There are to begin with, economic trends of which we are all very much aware these days. The economic trends in the Soviet Union and the Soviet bloc, are, by and large, unfavorable from the point of view of the political leadership.

There is a pattern of retarded economic growth, that I think we are all very well informed about and that is caused essentially by the obsolescence of the Stalinist model of industrial growth and management, which is excessively centralized and rigid.

Now, this trend has affected the Military Establishment. It has led to pressure on the Soviet defense budget and the Soviet defense effort. There is no unanimity among Western authorities inside governments and outside on just how to measure and capture these effects; but that the pressure is there is clear, and is acknowledged, indeed, by Soviet military spokesmen.

The military burden is heavier today for the Soviets; it is harder to carry when you have 2 percent annual growth as opposed to 4 or

5 or more. This has affected civil-military relations. It has moved the issue of resource allocation rather closer to the center of the agenda than it was until recently.

Military personnel including commanders have also been affected by shortages, black markets, lineups, and other manifestations of this underlying economic slowdown; and this is also quite plainly acknowledged in Soviet military publications.

In addition to these economic trends, there are also technological trends and developments that are affecting the Military Establishment.

The Soviet military, of course, is a consumer of much of the most advanced equipment that the Soviet economic machine produces; and, therefore, it benefits from the current state of economic, technological sophistication, much more so than most parts of the civilian economy.

Nonetheless, it is also true, and Dr. Holloway could expand on this, that the regime—and also the military leadership—have become increasingly aware, of the gap between Soviet and Western, particularly American, levels of technological attainment in recent years.

The way that the strategic defense initiative issue has been brought to the fore by them is, I think, one clear index of this, one clear indicator of it.

Their concern about the technological lag relates not only to nuclear weapons and strategic defense against them, but also and in fact more so to conventional means of warfare.

The military, I should also say though, having expressed this anxiety about the technological lag and about the inability of the Soviet system to persuade it to assimilate what modern technology it does have access to—the military also has been resisting in a number of ways attempts from the top and from civilians on the outside to assimilate high technology, advanced technology. This is often discussed in the Soviet military press, using computers as an example.

So, there is a lot of complaining, in short, about the military and not just by the military in this connection. Finally, by way of long-term trends I will just flag the issue of social trends, again largely unfavorable ones without doing a comprehensive diagnosis of the Soviet system, we can agree that the Soviet leaders are rightly concerned about several negative trends in their society—the rise of a more private and self-seeking morality; the growth of phenomena such as alcohol abuse, of venality and corruption of public officials; and also although this is a somewhat different matter, greater friction between the different ethnic groups within the Soviet multinational society.

All these things again inevitably have an influence on military life, and have started, I think, to affect the attitudes of military officers.

Alcohol abuse is bound to have an effect on an organization that is staffed as far as the rank and file is concerned almost exclusively by 18- and 19- and 20-year-old youths.

Now, let me turn to short-term, immediate trends. I am thinking here particularly about trends in policy. These trends are a reac-

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tion, essentially, to the underlying difficulties of the system. It is much too soon to say whether they will be an adequate reaction.

How the regime should respond to these trends, especially to the economic ones, is very much subject to debate and struggle within the Soviet elite. The outcome is yet to be determined, but the new Soviet leader, Gorbachev, does seem to be attempting to institute limited but nonetheless, I think, significant reforms, especially in the economy.

Now, where does the military fit into this picture?

The first point, I would say, is that the military establishment is a target for some of these changes. This is sometimes left out of Western analyses. The military is going to be subject to changes from within to make it more efficient, to make it more effective.

We have seen already the retirement of elderly officers and the promotion of younger and more vigorous men, not as much, perhaps, as some in the civilian leadership would like, but these changes are certainly under way.

The same thing is happening in defense industry—that is, in the economic organizations and corporations that supply the military with the means to carry out its mission. In fact, these changes have accelerated in the last month or 6 weeks.

There is also within the Military Establishment a push for, as Gorbachev likes to put it, order—sobriety, punctuality, frugality, discipline. Soldiers and officers are expected to behave the same way as good civilians. So the military press now resonates with calls for the display of these kinds of virtues.

The military may also turn out to be a target when it comes to resource allocation. This is a more difficult thing for us to measure, because the Soviets so heavily censor information about resource allocation.

But Gorbachev, in his speeches—you will probably know—has stressed priority not for military spending or for that matter, for the consumer, but rather for investment, which suggests that there is a direct conflict of interest between the Military Establishment and those parts of the industrial establishment that wish to emphasize investment, investment for modernization and with an eye to higher growth rates later on.

Now, is the military, aside from being the target of these reforms, playing a greater role? Is it, for example, an agent of reform? Can it be seen in some ways as an author of some of these changes?

Well, as far as being an agent, I think the answer is probably no, so far. One can discern—at least, I can discern—next to no use of military personnel or resources as of yet in instituting these changes. There was a fair amount of speculation in the West a few years back that this might occur, but so far it has not happened. One is not seeing the transfer of uniformed military personnel out of the Ministry of Defense into troubled organizations in the civilian world. It is simply not happening.

This is happening with military industrialists—that is, with the managers of the ministries that produce weapons, that produce vehicles, electronics, computers, and all the rest. The executives in these organizations that traditionally supply and service the military have been outwardly and upwardly mobile. But that's a different story, and I think it is not quite at the center of what this committee is interested in today.

As for the military being the author of a reform program, my answer at least would be no. Civilians are in charge, and the civilian leadership seems to have, in fact, a pretty clear sense that it wants to decide these things on its own. It may be that a strong civilian leader like Gorbachev will be able to pick and choose allies and clients among the military leadership, but so far one sees little evidence of this.

The Minister of Defense, Sokolov, has been for a year now a candidate member of the Politburo; he has not been elevated to full membership, which is curious, because both the new foreign minister and the head of the KGB have been elevated to full membership in this time.

Your letter asked about Marshal Ogarkov, and perhaps we can touch on that later. The marshal was demoted in September 1984 from his lofty position of chief of general staff. There were rumors this summer that he was making a comeback, but so far these rumors have not been realized.

Military opinion, I think, is mixed; and there are many internal contradictions within the military world on the question of internal reform and its possible connections to foreign policy.

As I am almost out of time, I will just conclude briefly with possible implications for the foreign policy of the United States and of the other members of the Western Alliance.

I guess the most important recommendation I would make—I am trying not to be too pedantic about this—is that we should not make policy in the West on the basis of shaky and, in some cases, unprovable assumptions about the influence of the Soviet military.

This is perhaps less of a danger now than it was 2 or 3 years ago, when the Soviet civilian leadership was looking, and at times acting very shaky, when perhaps we were misled by poorly researched journalistic reports and our own imaginings about these things to think that the Soviet military—the marshals, the generals, and the admirals—were exercising more influence than they, in fact, are.

So, that would be the first thing I would say. I don't think the generals are steering the system; the civilians are.

As far as American and Western response to what the Soviets are doing in foreign and domestic policy, I think it is pretty obvious that there is a connection in the minds of the present leadership between their internal decisions and choices and their foreign posture; and I think there is a moment here, an opportunity for at least nudging and prodding the Soviets down the path of moderation; and I think we have seen some evidence of this already.

And here I don't believe the military is a particularly important factor one way or the other. I would say, finally, that it is in our interest now, as I think it has been for quite some time, to engage the Soviets in a dialog, if you like, about security, and what that means, that is carried out with a somewhat broader focus than merely military issues. I think the more technical the discussion with the Soviets, the more technical the negotiations, the more likely the military are to have a major say on the Soviet side.

It is in our interest, I think, to make this engagement as broad as possible. Now, that is easier said than done, but I will at least close on that note.

Mr. **Hamilton**. Thank you, Dr. Colton.

Dr. Holloway.

STATEMENT OF DAVID HOLLOWAY, SENIOR RESEARCH ASSOCIATE, CENTER FOR INTERNATIONAL SECURITY STUDIES AND ARMS CONTROL, STANFORD UNIVERSITY, STANFORD, CA

Mr. **Holloway**. Mr. Chairman. Thank you very much for the invitation to appear before you, and let me, like Dr. Colton, note that I am not an American citizen. I am an Irish citizen. I have enjoyed the hospitality of your country for some years, and I am grateful for this opportunity to present my testimony to you.

I have submitted a written statement, and I would just like to pick out some points from that in my opening remarks.

I think it is true that the Soviet Union's position in the world rests to a great extent on its military power and that the effort to create a formidable armed force has shaped the internal order of the Soviet Union.

But, like Dr. Colton, I do not believe that the military play a dominating or dominant role in Soviet politics. The Party exercises control over the armed forces through well-established mechanisms.

In the recent series of successions, the military have not played the role of kingmaker in selecting the new General Secretaries.

It is true that Dmitri Ustinov, who was Minister of Defense until his death in December of last year, was a powerful figure in the Politburo, but I think his power derived from the fact of his own position within the party; he was not a professional military man.

The most outspoken military figure in the last few years has been Marshal Ogarkov, who was Chief of the General Staff until he was removed from that position in September 1984.

According to a recent Soviet biographical note, he is still in leading work in the armed forces, but it is not clearly established what position he now holds.

And I do not think that one can argue that the power of the military or of the high command has been increased by the changes that have taken place in the party leadership.

In fact, perhaps, the opposite, although it is very difficult to judge these things. Dr. Colton noted that the current Minister of Defense, Marshal Sokolov, is not a full member of the Politburo, and I think that is a significant fact reflecting his stature in the leadership.

The second point I would like to make is that military power is central to Soviet security and foreign policy. Two of the most important concepts in the postwar period, two of the most important concepts in Soviet foreign policy, namely peaceful coexistence and détente, were both linked in Soviet thinking and Soviet interpretation to the growth of Soviet military power, which was supposed to make the Western governments deal in a more accommodating way with the Soviet Union.

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But even in military doctrine, the political factor is dominant. The Soviet definition of military doctrine divides it into two parts: the sociopolitical side, and the military-technical side.

Now, in recent years, especially since the late 1970's the political side of doctrine has come to stress increasingly the defensive character of Soviet policy, the suicidal nature of any decision to initiate a nuclear war, and the commitment to parity with the United States.

This part of Soviet doctrine is difficult to evaluate because there is a large measure of propaganda here.

On the military-technical side of the doctrine there have also been important changes, the most interesting one being the evolution toward a view that even a major conflict between NATO and the Warsaw Pact might remain conventional, that it might not escalate to the use of nuclear weapons; and the bases for this view seem to be, one, that the Soviet nuclear forces would be able to deter NATO from resorting to its nuclear weapons; and two, the awareness in the Soviet military leadership, as well as in the party leadership, that nuclear war would have catastrophic consequences for both sides, and that therefore in some fundamental sense nuclear war is not really wageable in the same way as conventional war might be.

But, in spite of this shift in doctrine, preparation for nuclear war and the modernization of nuclear forces continues. Soviet leaders view their present strategic relationship with the United States as one of parity, and they claim that the attainment of that strategic parity by the Soviet Union was a major historical event; and they say, as clearly as they can, that they are not willing to relinquish this relationship; and they view the strategic defense initiative as an attempt by the United States to break out of this relationship by depriving the Soviet Union of its capacity to retaliate against the United States in the event of an American first strike.

The third point I would like to make is that the Soviet Union is a military superpower but not an economic superpower. Its gross national product is not much more than half that of the United States, but it has a highly centralized economic system, which has made it possible for the Soviet leaders to channel resources into high priority areas, such as defense.

The military have traditionally had first claim on resources, but they are a claimant; they do not dispose of the resources; they must make their case.

Since the mid-1970's, largely as a result of the declining growth rate, about which Dr. Colton spoke, the whole issue of priorities has become much more complex, and this seems to have had an effect on Soviet military expenditure, with expenditure on weapons procurement leveling off after 1976.

The second way in which the economic and defense policy interrelate is again, as Dr. Colton said, the whole issue of whether or not the economy can generate new weapons technologies, and particularly smart conventional weapons technologies, or exotic technologies, such as directed energy weapons associated with strategic defense or space-based ABM.

I think there are two concerns here: One is just whether Soviet industry can generate the technologies; and the second is whether

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or not the military are quick enough to see the importance of new weapons technologies. This latter is a very important issue because one of the factors that helps to explain the relatively better performance of the Soviet defense sector compared with civilian industry is that the military have great power to put pressure on the economy to generate what they believe to be needed for the armed forces.

If the military are sluggish in understanding new technologies, then industry will not produce them, because it is traditionally this consumer demand from the military that has helped to explain the better performance of the defense sector.

I think that one of the reasons why the Soviet Union has expressed such concern about the strategic defense initiative is not merely that it sees this as a military and political threat to its security but also that it sees the strategic defense initiative as a very serious challenge to Soviet technology, and to the capacity of the Soviet economy to generate new technologies.

For that very reason, it recalls old Russian and Soviet fears of backwardness vis-a-vis the West. I think this goes some way to explain the intensity of the Soviet reaction to the SDI.

Finally, on implications for the United States or for Western policy, I would just like to make some general remarks. I have made some specific comments in my written statement; and perhaps I can return to those in the question and answer period, but I would just like to make some general remarks here.

The United States in particular and the West in general should have modest expectations about their ability to make the Soviet Union spend less on military power, or rely less on it in its foreign policy.

The main reason for this is that the commitment to military power is deeply rooted in the history and culture of the Soviet State.

There are, as Dr. Colton pointed out—and I agree with him—signs of constraints and pressure now on the armed forces because of the economic decline or the slowdown of the economic growth rate in the Soviet Union, and it is possible that under Gorbachev, the Soviet Union will turn to some extent at any rate, inwards to deal with its economic problems.

This might have significant consequences for United States-Soviet relations if it enhanced Soviet interest in a more stable relationship.

One can see in the Western debates two broad approaches recommended toward the Soviet Union. One approach is that the West should maximize the economic and military pressure on the Soviet Union in order to force a change in the system, by bringing about economic or social or political collapse at home.

I think that this is a risky policy because the results would be unpredictable. It is not clear to me that such pressure would lead to political and social change inside the Soviet Union in the direction of reform and democracy. It might lead to a more intense repression, to a more aggressive policy abroad.

It is also not clear to me whether the West could win in such a competition, because the Soviet State, even though not now as strong as it was in the high Stalinist period, is nevertheless immensely strong vis a vis Soviet society, because it can extract resources from that society, and channel it to its own goals.

The second approach that one sees recommended is accommodation with the Soviet Union within limited areas. I don't think anything better than this can be expected given the basic conflict between the two countries; and I think for the future, one has to assume that mutual deterrent—the relationship of mutual deterrence—will continue, that a fundamentally hostile relationship will continue, and consequently, there will always be the risk of crises, regional crises of some kind which might lead to the outbreak of war.

But there is some basis for cooperation in the common interest in preventing nuclear war, and preventing crises from moving to nuclear war.

It seems to me that the difficulty for the West, in a sense, is to combine in its policy toward the Soviet Union, both toughness and conciliation, both a resistance to Soviet expansion, and a willingness to cooperate.

But I think that it is in the combination of both elements that the most useful and most flexible kind of policy can be pursued. Thank you very much.

Mr. HAMILTON. Thank you very much, gentlemen.

[Mr. Holloway's prepared statement follows:]

PREPARED STATEMENT OF DAVID HOLLOWAY[1]

Mr Chairman and Members of the Subcommittee:

The growth of Soviet military power over the last thirty years raises fundamental questions about the Soviet Union: What is the role of force in Soviet policy, and in the Soviet conception of security? What is the role of the military in Soviet society and politics? It also raises important issues for the United States: Can anything be done to lessen Soviet reliance on military force, or to influence the direction of Soviet military policy?

These are difficult questions to answer, but it is especially appropriate to address them now, for less than a year has passed since Mikhail Gorbachev became General Secretary. Unlike an American President, who can bring in a whole team of new appointees when he takes office, the General Secretary needs time to consolidate his power and set his mark on policy. Gorbachev has moved more quickly than many people expected in making new appointments and setting the policy agenda, but the ultimate course he will take is not yet clear, although we may expect to learn more from the XXVIIth Party Congress in February of next year.

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[1] David Holloway is Senior Research Associate at the Center for International Security and Arms Control, Stanford University, on leave from the University of Edinburgh, Scotland, where he is Reader in Politics. He is the author of The Soviet Union and the Arms Race (1983) and co-author of The Reagan Strategic Defense Initiative: A Politcal, Technical and Arms Control Assessment (1984).

Military Power and the Soviet State.

The Soviet state was born in war and revolution, and the Bolsheviks consolidated their power in a brutal civil war. Towards the end of the 1920s, after it had become clear that revolution in Europe was not imminent, Stalin embarked on forced collectivization and rapid industrialization with the aim of making the Soviet Union a great industrial and military power. The basic structure of the Soviet state as we know it today emerged from this 'revolution from above'.

Stalin's industrialization drive appealed to the Bolshevik sense of historic mission and to Russian national pride. It drew support also from a Russian sense of vulnerability and insecurity. In a famous speech in 1931 Stalin conjured up an image of backward Russia suffering defeat over the centuries at the hands of foreign enemies. Now, he said, Russia's backwardness had to be overcome if it was not to be beaten by the capitalist powers. The Soviet Union, as the slogan put it, had to 'catch up and overtake the economically and technologically advanced capitalist countries'. A highly-centralized economic system was created to enable the Party leaders to implement their own priorities, irrespective of the wishes of the people.

Stalin's mobilization of resources to increase the power of the state had its precedents in Russian history. The internal order of prerevolutionary Russia had been shaped by the state's accumulation of military power for survival and expansion in a hostile world. But the expansion of Russia, in the words of the historian Kliuchevskii, 'bolstered the power of the state without elevating the self-confidence of the people.' From this experience grew a distinctive political culture in which a strong state was regarded as a necessary bulwark against threats from abroad and chaos at home. This was very different from the Anglo-Saxon tradition in which the state was made subordinate through democratic institutions to a self-confident and highly organized civil society.

The Soviet state nearly collapsed under the shock of the German attack in 1941, but ended the Second World War more powerful than before. Its international position was strengthened by the victory over Germany, and at home the struggle against the Nazi invader created a closer bond between regime and people than had existed since the revolution. Stalin claimed that the war had proved his prewar policies correct, and once again embarked on a drive to build up the military-industrial might of the state.

Stalin's legacy has been modified since his death, but not rejected outright. Systematic terror has been abandoned as an instrument of rule, and increasing attention given to agriculture, consumer goods and social welfare. The powerful state remains intact, however, with its large military forces and repressive apparatus, and its highly centralized economic system.

Nevertheless, pressures for reform have been building up. The rate of economic growth has been declining steadily since the 1950s. The Stalinist economic system was well suited to an economy in which large increments of labor and investment could be injected into industry each year, but is poorly adapted to a more complex economy in which growth must come increasingly from higher productivity and technological progress. The regime's loss of ideological dynamism, corruption in the Party-state apparatus, latent nationalism in the republics and the emergence of political dissent also pose challenges to the existing order, but the declining economic growth rate provides the main impetus to reform.

In the 1970s and early 1980s, however, the Party leadership was extremely reluctant to tackle the very complex problem of economic reform. Only Andropov, in his brief tenure as General Secretary, displayed any determination to make the Soviet economy more dynamic. Now Gorbachev has made it clear, in a series of outspoken speeches since becoming General Secretary, that the reinvigoration of the Soviet economy is his primary goal. It is not yet clear whether he will attempt to carry through a major reform, what shape such a reform might take, or whether it will be successful. But he has made it clear that something must be done.

The Military in Politics.

The Soviet Union's position in the world rests to a great extent on its military power, and the effort to create that power has shaped the internal order of the Soviet Union. But the military do not play a central role in Soviet politics. The Party fears Bonapartism, and has taken steps to guard against it. It controls military appointments through the nomenklatura system, and enforces Party discipline as well as military discipline in the Armed Forces. The political officers of the Main Political Administration try to instill a positive commitment to the Party among the military, while the KGB watches for signs of disaffection and revolt. The good standard of living and high status that the officer corps enjoys also help to ensure its political quiescence.

Stalin's death in 1953 resulted in some diffusion of power at the apex of the Soviet state, and members of the High Command played a role in the political crises that marked the transition from Stalin to Khrushchev. But their influence was one factor among many, and probably not decisive. In October 1957, only months after helping Khrushchev to defeat the 'anti-Party group', Marshal Zhukov, the most famous of the wartime commanders, was sent into political disgrace amid accusations that he had tried to undermine Party control.

When Brezhnev died in November 1982 many observers thought that the military would determine his successor. But this did not happen, either then or after the deaths of Andropov or Chernenko. Dmitri Ustinov, who was a full member of the Politburo and Minister of Defense from 1976 until his death in December 1984, was undoubtedly an influential figure in this period, but he was not a professional soldier and certainly not a mere mouthpiece for the military. Ustinov became People's Commissar (i.e. Minister) of Armament in 1941, was in charge of missile development after the war, and by the mid-1960s had become a Central Committee Secretary and a powerful Party figure in his own right.

The most senior professional soldier in the early 1980s was Marshal N.V. Ogarkov, a forceful and competent Chief of the General Staff until his removal in September 1984. Ogarkov was certainly not a kingmaker, and did not wield great political power in this transition period. He is now "in a leading position in the Armed Forces", according to a recent Soviet biographical note. Some reports suggest that he is now Commander-in-Chief of the Western Theatre of Military Operations (TVD), a senior position but less important than the one he held before. The reasons for Ogarkov's move are unclear: the Party leaders may have found him too abrasive and importunate; or they may have wished to prevent him from being in a position to succeed Ustinov as Minister of Defense. Whatever the reasons, Ogarkov's move did not seem to mark a major shift in policy, and he has since published a book on military affairs, with the title History Teaches Vigilance.

The Armed Forces enjoy general respect as the embodiment of national greatness, and this respect is fostered by an extensive program of military-patriotic education which tries to fuse national, communist and military appeals into a form of Soviet patriotism. This does not signify growing military influence in social and political life, but rather an attempt by the Party to use patriotic sentiment and military values for its own purposes.

The central role of the military factor in Soviet society and politics is not a reflection of the political power of the military, nor does it confer commensurate political power on them. The military are an important force in Soviet politics, and play a central part in defense policy-making, but Western commentators sometimes exaggerate their role. There is nothing to suggest that the military have played a decisive, or even a major, role in the recent changes in the Party leadership. Nor is there any indication that the military will be more powerful under Gorbachev; on the contrary, it is the Central Committee Secretariat that seems to have been strengthened in recent months. Marshal Sokolov, Ustinov's successor as Minister of Defense, is not a powerful figure in his own right and was made only a candidate member, not a full member, of the Politburo. Other recent changes among the top military seem to be part of a general turnover of personnel rather than a sign of a shift in policy.

Military Doctrine and Foreign Policy.

Military power plays a major role in Soviet foreign policy. The Soviet Union conducts its relationship with the West from a position of military parity but economic backwardness. It has maintained its dominant position in Eastern Europe through the use, and the threat of the use, of force. In the Third World it has used military advisers and arms transfers, as well as Cuban combat forces, as key instruments of policy.

Two of the most important Soviet foreign policy conceptions - peaceful coexistence and detente - have been directly linked, in Soviet thinking, to the growth of Soviet military power. Khrushchev based his idea of peaceful coexistence - that capitalism and socialism could coexist without world war, even while the world was moving towards communism - on the growing power of the Soviet Union. Brezhnev's concept of detente was likewise founded on the idea that growing Soviet military power made it impossible for Western governments to deal with the Soviet Union from a position of strength, and thereby forced them to adopt more 'realistic' policies. The Soviet leaders may have been misled by this conception of detente, for the growth of Soviet military power and its use abroad - in Angola, Ethiopia and Afghanistan - in fact helped to bring detente to an end, and to provoke the current build-up of American forces, the INF deployment, and the Sino-Japanese-American alignment that so worried the Soviet leaders at the end of the 1970s.

The Soviet leaders have seen military power as a means to political ends - even if they have not always used it wisely. They appear to have taken to heart Clausewitz's definition of war as a continuation of policy by other means. With the exception of the Cuban missile crisis, they have used their military power cautiously, and have tried to avoid acute crises with the United States, even while expanding their own power and influence in the world.

The primacy of politics is a basic principle of Leninism. Soviet military doctrine has two aspects - the socio-political, which is supposed to be dominant, and the military-technical, which is largely the responsibility of the professional military. The political side of doctrine sets out the political purposes and character of war and their implications for defense policy, while the military-technical side attends to the methods of waging war, and the organization and equipment of the armed forces.

Since the late 1970s, and especially since a speech given by Brezhnev in Tula in January 1977, the political side of Soviet doctrine has stressed the defensive character of Soviet military power, the suicidal nature of any decision to initiate a nuclear war, and the Soviet commitment to military parity with the united States. These statements are difficult to evaluate because they contain a large element of propaganda, directed both at domestic and foreign audiences.

The military-technical side of doctrine has also evolved in recent years, with increasing interest in the possibility that even a major conflict between the Warsaw Pact and NATO might remain conventional. This interest apparently springs from the belief that Soviet nuclear strength might be able to deter NATO from resorting to nuclear weapons, and from the awareness - clearly expressed in the political side of doctrine - that nuclear war would have catastrophic consequences for both sides. Major organizational changes in the Armed Forces in recent years (reorganisation of the air and air defense forces, the stress on mobile groups in the Ground Forces) have increased the Soviet capability to carry through high-speed offensive conventional operations on a TVD-wide scale. The Soviet stress on conventional operations has not precluded Soviet preparations for nuclear war, both in the theatre and at the global level. There is evidence that not all military commanders believe that a major conflict would remain conventional. Besides, it is in large measure by preparing for nuclear war that the Soviet leaders hope to deter NATO from using its nuclear weapons.

The Soviet leaders argue that the present strategic relationship with the United States is one of parity, in which each side is vulnerable to a devastating retaliatory strike by the other, no matter who strikes first. Nevertheless the Soviet leaders have expressed some fears that the United

States is trying to escape from this relationship by acquiring the capability to launch a decapitating strike against the Soviet Union; or, more especially, by deploying strategic defenses, which might blunt the Soviet capability to retaliate in the event of an American first strike. They have made it absolutely clear that they regard the attainment of parity as a great achievement, and one that they will not relinquish.

The Defense Economy.

Although the military have not played a central role in the recent political successions, military issues are of great importance in the choices that Gorbachev now faces. In the past the Soviet leaders have used their economic system to attain the status of a military superpower, even though the Soviet GNP is not much more than one half the size of the United States GNP.

The high priority of the defense sector has been reflected in military expenditure. Estimating this is an arcane and controversial matter, but the CIA's view that the Soviet Union has devoted about 12-14 per cent of its GNP to defense over the last twenty years seems reasonable (as long as one does not put too much weight on it). High priority is manifest in other ways too: The defense sector receives the best machinery and instruments, and the best workers and managers; it can commandeer scarce supplies from civilian industry; and planning bodies will deal more quickly with its requests and orders.

The priorities of the Party leadership have grown more complex since Stalin's death, however, and, as a result, the priority system has been working less well, with industry unable to meet the demands placed on it. In the mid-1970s the Soviet leaders cut the growth rates of industrial investment and of defense expenditure. According to the CIA, after 1976 military expenditure grew at 2 per cent a year (when measured in constant rubles) compared with 4-5 per cent a year from 1967 to 1976. Expenditure on the procurement of military hardware remained stationary from 1977 at least until 1982. The causes of the procurement slowdown are not clear: bottlenecks and shortages in the economy, and difficulties in assimilating advanced technology may have played a role. It seems likely that the desire to adjust the rate of growth of defense expenditure to the general state of the economy was also a factor.

The defense sector has been distinguished not only by its high priority, however, but also by the powerful position of the customer. The Ministry of Defense takes part in planning the programs of weapons development and production, and it exercises considerable control over the execution of these programs. This has given the military a kind of consumer power unusual in the Soviet economy.

Now, however, some military leaders, notably Ogarkov, have raised questions about the ability of the military to recognize their needs quickly enough, and to generate requirements for new weapons technologies. With the military compettiton moving into new areas - smart conventional weapons and exotic directed energy technologies - Soviet industry faces a considerable challenge. Military policy and economic policy have become intertwined in a new way, not only as a result of the declining rate of economic growth, but also because of the demand for new military technologies. (One reason why the Strategic Defense Initiative has evoked such a sharp Soviet reponse is that it symbolises not merely a strategic, but also an economic and technological challenge, and conjures up memories of Russia's traditional backwardness.)

Implications for U.S. Policy.

The United States should have modest expectations about its ability to encourage the Soviet Union to devote less effort to accumulating military power and place less reliance on that power in its foreign policy. The commitment to military power is deeply rooted in the history and structure of the Soviet state. Moreover, the closed and secretive nature of the Soviet policy-making process makes it difficult for Western governments to intervene in that process, except in a very limited and indirect way.

Attempts to manipulate the domestic pressures and forces in Soviet politics are likely to have unpredictable results and may well prove counterproductive. For example, military and economic pressure on the Soviet Union to reduce its military effort might well have the effect of heightening the Soviet sense of vulnerability and insecurity, and thus make the Soviet leaders more determined than ever to remain a military superpower. On the other hand, to try to assuage Soviet feelings of vulnerability and insecurity by conciliation alone might be seen as weakness and merely foster the Soviet Union's sense of its own power and encourage its superpower ambitions.

Yet if modest expectations are appropriate, complete pessimism is not. There are signs of change inside the Soviet Union. These are certainly weak and precarious, and change is by no means inevitable. But turning inwards to deal with domestic problems might enhance the Soviet interest in a more stable and constructive relationship with the West.

Although domestic factors are important in determining Soviet military policy, external factors too play a crucial role. Soviet policy is not merely reactive. The Soviet Union's conception of its own security requirements has been shaped by the threats and opportunities it has discerned in the outside world, and these are subject to influence by United States policy.

Two approaches by the United States to the Soviet Union are frequently advocated nowadays: the first is to put as much pressure as possible on the Soviet Union in order to bring about internal change; the second is to search for accommodation in limited areas. The first, to my mind, is a risky and unpredictable course: there is no guarantee that the Soviet Union would respond to such pressure by moving in the direction of reform and democracy; it might, rather, see its security threatened and respond with repression at home and aggression abroad. Moreover, the Soviet state, even if not now as powerful as in the high Stalinist period, is capable of extracting resources and imposing sacrifices in the interests of its own survival. It is not at all clear that the West could outlast the Soviet Union in such a competition.

It is for these reasons that the search for a more cooperative relationship seems to me to be the appropriate policy to pursue. If the United States wants to reduce Soviet reliance on military power it must try to build a more cooperative relationship in which military power plays a less prominent role on both sides. Because the interests of the two powers clash on so many issues, Soviet-American relations will not be cordial in the foreseeable future. The strategic military balance will continue to be based on nuclear deterrence, given the dominance of offensive nuclear systems. This will remain true, even if some defensive systems are deployed. The risk of crises will not disappear, given the underlying hostility of the relationship. But even under these circumstances there exists a common interest in preventing nuclear war. There is therefore some basis for a more stable and normal relationship. This was recognised in the joint statement issued by President Reagan and General Secretary Gorbachev at the end of the Geneva summit meeting last month.

The pursuit of a more stable military relationship is of course a difficult and complex matter. No attempt can be made here to advance an exhaustive list of recommendations. But the following points may be made:

1) For all their imperfections, the existing arms control agreements should be seen as providing a useful framework for such a relationship. The ABM Treaty in particular should be seen as contributing more to strategic stability than the active pursuit of imperfect strategic defenses could do.

2) At present the Strategic Defense Initiative constitutes a serious obstacle to reductions in offensive forces. The United States should seek an agreement defining as clearly as possible the permissible areas of research, and forego activities that can be construed as infringing the ABM Treaty. Within those limits the United States should conduct research that would discourage a Soviet breakout from the ABM Treaty, and minimize the adverse effects of such a breakout, if it did occur. At the same time the United States should seek modifications to the ABM Treaty to deal with the problems created by developments in air defense and anti-tactical ballistic missile defense technologies.

3) An agreement on research on strategic defenses would open the door to serious negotiations on offensive systems. Without such an agreement, however, the Soviet Union will not reduce its offensive forces, and may increase them in order to counter United States strategic defenses. The United States needs, of course, to maintain the deterrent effect of its own offensive forces by paying attention to their survivability and penetrability.

4) The possibility that the Soviet military leadership believes that a 'conventional option' might succeed in Europe is worrying, because it

would mean that NATO forces no longer constituted an effective deterrent. This is something that needs to be taken seriously, and measures taken to prevent the Soviet Union from believing in the viability of the conventional option, by strengthening NATO's conventional defenses.

5) Given the global character of Soviet-American rivalry, the danger exists that a regional crisis could escalate into nuclear war; it is reassuring, therefore, that the two sides have agreed to study ways of preventing this from happening. In pursuing its competition with the Soviet Union, the United States needs to assess its own interests in particular regions carefully: the very fact that some political or military force opposes the Soviet Union is not in itself sufficient reason for supporting it. Similarly, in making commitments to back anti-Soviet groups, the United States needs to ask whether it is willing to sustain the commitment to a point where a satisfactory outcome is achieved.

The prospects for a relationship in which cooperation predominates over conflict are not good. Nevertheless, the Soviet conception of security does recognize the need for cooperation with potential enemies, even while it competes vigorously with the United States. The detente of the 1970s shows how difficult it is to conduct a relationship in which the two elements coexist, yet that should remain a principal goal of United States policy.

A policy is needed that combines toughness and conciliation, resistance to Soviet expansion with readiness to cooperate. Such a policy should combine defense of Western interests with civility towards the Soviet Union and acknowledgement of its superpower status; military strength with the serious pursuit of arms control; normal trade relations with stricter enforcement of controls on militarily-significant technology. While hoping for evolution towards democracy inside the Soviet Union, it should not proceed on the expectation of such change, or on the hope that the Soviet state will collapse. Predictions of Soviet collapse have proved wrong too many times since 1917 to provide a satisfactory basis on which to conduct relations with the Soviet Union as it is today.

These recommendations may appear to be platitudinous, but they outline what the United States - or so it seems to a European observer - has found it extremely difficult to conduct: a consistent, level-headed policy that does not veer from excessive fear to illusory hope and back again.

SOVIET MILITARY GROWTH

Mr. **Hamilton**. I notice that both of you talk about the growth of Soviet military power, and I would like to get into my mind what you mean by that, as you look back over the last few years, or maybe even a longer perspective.

We have recently had some revised downward estimates of Soviet military spending since 1976 by the CIA. How do you view the growth of Soviet military power?

Mr. **Holloway**. I use the term in a rather long context, and I think back to the 1950's or the early 1960's; and I think then that the Soviet Union did not find itself in a position of strategic parity with the United States.

For example, Marshal Ogarkov said, a couple of years ago, that 20 years before—that is, in 1963 the United States had, to some extent, the possibility of inflicting a disarming first strike on the Soviet Union. So, one major change since then has been the buildup of Soviet strategic forces to match those of the United States, and to ensure that under any and all circumstances it could retaliate against the United States.

I think that is one element, and perhaps the most important element.

Mr. **Hamilton**. Do you believe the Soviets are driving for superiority in military power over the United States?

Mr. **Holloway**. I do not think so, in the strategic area. I think that they came to a decision in the late 1970's that essentially parity was the only possible relationship, and by that—

Mr. **Hamilton**. Do you agree with that, Dr. Colton?

Mr. **Colton**. Yes.

SOVIET SPENDING ON DEFENSE

Mr. **Hamilton**. How about Soviet expenditures for defense? What's the rate of growth in your judgment in very recent years?

Mr. **Holloway**. I find plausible the revised CIA estimates that there was a downturn after 1976 so that it is now 2 percent a year growth, and more or less level expenditure on weapons procurement.

Basically, we have to rely on the CIA estimates because the Soviet Union does not reveal what it spends, but I find that plausible, and I think that fits in with some other shifts that we see in Soviet statements and in Soviet personnel changes.

Mr. **Hamilton**. And so we have had then a modest 2-percent growth or so in Soviet military spending in the last several years?

Mr. **Holloway**. The last several—well, since 1977. I am not sure what the latest estimates are for 1983-84, since there may have been some up-turn.

Mr. **Colton**. This is an area where we are really at the mercy of Government officials who work with classified information that cannot be shared, or is not shared at least with the public.

Mr. **Hamilton**. Do you just accept what the CIA gives you?

Mr. **Colton**. Well, I think there are other estimates around. Generally, the position of the Department of Defense in this country has been rather different from the CIA's position. They have seen a rate of growth that is slightly higher than 2 percent.

There are also disagreements as to, if a shift did take place, when it occurred. The CIA's position since, I think, the fall of 1983, has been that the shift occurred in the 25-year plan, starting in 1977.

But there are some who say no, it probably dates from later.

Mr. Hamilton. Do you see about a 2-percent growth since 1976, and that continuing into the near future as far as you are able to make the judgment?

Mr. Holloway. Yes; although I would qualify that by saying that I think one of the issues in the internal Soviet debate about policy is precisely how to respond to the buildup of American forces under the Reagan administration.

Mr. Hamilton. Well, have you seen anything in your studies of the Soviets to suggest that they have responded to our 9 percent real growth each year in the last 4 years?

Mr. Holloway. No, I have not, sir.

Mr. Colton. No, I have not, either.

The draft 5-year plan for the period 1986-90 has just been published by the Soviets, and I am told by economists who have studied all these in detail over the years that it is unusual in its sketchiness. It says relatively little about what they will actually be doing.

It will take some time before people on this side with computers work those numbers over. There are some puzzles about what the Soviets will be doing. There are some western economists who are saying that there may be buried in those figures plans for an upturn in military spending, which I must say strikes me as rather implausible from the other things one sees.

Mr. Hamilton. Strikes you as implausible?

Mr. Colton. Yes.

Mr. Hamilton. That there will be an upturn?

Mr. Colton. Yes, because this is inconsistent with what the leadership has been saying. They have been placing such priority in their public statements on investment that it seems quite counterproductive from that point of view to channel things in another direction.

Mr. Hamilton. At the same time, you say that they are not going to let us get ahead; do you not?

Mr. Holloway. Yes.

Mr. Hamilton. How do you reconcile that?

Mr. Holloway. Well, I think this is exactly the problem that they are trying to wrestle with, is how they reconcile increasing economic constraints with their determination to keep up.

I think one way is to try to head off some areas of competition through arms control, and I think there is an economic interest for the Soviet Union in certainly trying to take the momentum out of the strategic defense initiative.

Another way in which they could respond would be by concentrating the resources within the defense budget on particular areas.

SOVIET DRIVE FOR MILITARY SUPERIORITY

Mr. **Hamilton**. Mr. Weinberger, in his assessments of Soviet military power, talks about a Soviet drive for military superiority. Soviet military research and development continues to grow rapidly; a number of advanced new weapons systems are nearing deployment; heavy investment in military research and development, coupled with the purchase and theft of Western high technology, has eroded the qualitative advantage of the West.

The Soviets have accumulated a stock of military assets much larger than our own.

I am quoting here from his 1985 assessment.

Now, you have given me a very different picture. Why is that?

Mr. **Holloway**. When you asked me if I thought the Soviet Union was aiming for superiority, I said that at the strategic level, I believe they accepted parity. This does not mean that they do not have a very large defense effort. They have very large Armed Forces; they have very substantial modernization programs under way.

They are certainly concerned about their ability to compete in the technological area, and so I think this——

Mr. **Hamilton**. That is very different, though. Are they or are they not in your judgment driving toward superiority?

Mr. **Holloway**. I would want to break down the question. I think at the strategic level, no. I think that if you define "parity" as a relationship in which both sides will remain capable of inflicting devastating, retaliatory strikes at the other, no matter who strikes first, then I think, no. They are not—they accept that that is the relationship.

Mr. **Hamilton**. And in the conventional area?

Mr. **Holloway**. In the conventional area, I think it is more complicated because if you move to the European theater, the trend in Soviet doctrine has been toward this—to emphasize the conventional option; and to think about the possibility of a major war in Europe that would remain conventional and not go nuclear.

Mr. **Hamilton**. Well, are they or are they not driving for superiority in conventional forces?

Mr. **Holloway**. I think that they are driving to be able to implement this particular strategic option. I do not think——

Mr. **Hamilton**. What does that mean?

Mr. **Holloway**. It means that they are driving for some margin of superiority.

Mr. **Hamilton**. In conventional forces in Europe?

Mr. **Holloway**. In conventional forces in Europe—but I do not think that they have it. I think there are major weaknesses in their military position in Europe.

Mr. **Hamilton**. Mr. Weinberger says recent improvements have greatly increased their capability to fight a nonnuclear conflict.

Mr. **Holloway**. I believe that, yes, I do.

RESOURCE ALLOCATION FOR SOVIET DEFENSE SPENDING

Mr. **Hamilton**. Now, they are still spending about the same percentage of GNP—12, 14 percent that they have done in the past.

Although we have increased defense spending fairly substantially, they have not, is that right?

Mr. Colton. That is the generally accepted opinion, yes, definitely.

Mr. Hamilton. Now, are they going to fall behind us then, if we keep up current trends?

Mr. Colton. Well, this is one of the reasons, I suspect, for the very sketchy 12th 5-year plan. They probably do not know what they are going to do if present trends continue.

Mr. Hamilton. That is not likely for the United States, and they understand that.

Mr. Colton. Indeed—as they are quite aware actually.

Mr. Hamilton. Well, it is interesting to me that since 1976 they have been pretty steady. Our buildup began in the late seventies—

Mr. Colton. Yes, 1978, 1979.

Mr. Hamilton. The late Carter budgets, and then in the Reagan budgets, we have had very substantial increases, throughout the period of 6 years, and they really have not responded to that. They have just kept their 2-percent rate roughly; is that your view?

Mr. Colton. Yes, it is. Another thing to remember is that in a centrally planned economy, it is not terribly useful from the point of view of general economic policy to use military spending to help pull an economy out of recession, which is what you could very well argue has been one of the goals of rearmament in the United States.

Mr. Hamilton. Mr. Torricelli.

Mr. Torricelli. Thank you, Mr. Chairman.

PARTY DOMINANCE AND CIVILIAN CONTROL OF THE SOVIET MILITARY

You spoke confidently of the continued dominance in the civilian sector of the military in the Soviet society. Is that relationship a constant, or are there any trends at work in the relative power of the two sectors of society?

Mr. Holloway. I think that by and large that is a constant, that there has throughout the Soviet period been a very clear party dominance over the military. That has changed somewhat after Stalin's death, when I think the military began to gain more say in defense policy, in their areas of professional concern.

And I think that in that area, their influence did perhaps grow again under Brezhnev. There was a kind of recognition that in defense policy the military were the specialists, and their advice had to be taken seriously.

Mr. Torricelli. But now it is stable again?

Mr. Holloway. I think it is stable, yes.

Mr. Torricelli. Well, when Gorbachev returned from Geneva, one of the interesting aspects of his comments was that he seemed to be apologizing for having been in Geneva; he seemed to be explaining why it was necessary to go, with the clear implication that some would have opposed both his going and what he said.

Who was he speaking to?

Mr. Colton. I think he was speaking to his domestic constituency, which consists mostly of civilian officials. I mean all of these organizations, whether it is party, military or the State bureaucracy, are enormous conglomerates with many different parts and many different interests within them.

Even the military establishment has separate services, as does the U.S. military. There are conflicts between them. There is a generational divide, I think, in the whole society, which is very important, and Gorbachev has been shaking up the system. He has been making changes, but until the Party Congress meets next spring, many of the people whom he has unseated still have the formal power to unseat him, so he is in a difficult position.

Mr. TORRICELLI. Yes; let me understand the system a little bit better. So, if the party were of close to a single mind on this question of negotiations with the United States, would Gorbachev not then find it necessary to give a similar speech, merely because people in the military might be opposed?

Mr. HOLLOWAY. I think it is unlikely that he would be responding only to military views in that way. I think that the defensiveness of his own comments, and of some of the commentary that has appeared in the Soviet press reflects a political division, I would guess; but I am speculating.

Mr. TORRICELLI. My question was theoretical, though.

Mr. HOLLOWAY. Yes, yes.

Mr. COLTON. But, in fact, the party with 18 million members and responsible for governing the whole society, is rarely unanimous on anything. It turns to experts just as politicians do everywhere else. One of the things that is different about the Soviet Union is that until now the military has had a greater monopoly over the specialized knowledge relevant to making security decisions than has been the case in most of the Western countries.

You may remember that one of the last things that Brezhnev did, just before his death, was to hold an audience with all of the senior generals. It was a rather interesting thing that a dying leader found it necessary to have such a session, with pictures carried in the press of the whole assemblage. This suggested that there was some concern on his part that he had to get his generals together, and level with them on questions such as "Why are we not keeping up?" or "Why are we not responding in as sharp a manner as you would like to American rearmament?"

But that was 3 years ago, and that is not the kind of gathering that Gorbachev addressed when he came home.

Mr. TORRICELLI. When you speak about civilian control, I take it that means budget control as well; budgetary decisions for the Soviet military remain firmly in the hands of the party. There is not any increasing ability to command their own numbers?

Mr. HOLLOWAY. I think I do mean that, that control over resource allocation remains in the hands of the party leadership.

WEAPONS MODERNIZATION AND CHANGING SOVIET MILITARY DOCTRINE

Mr. TORRICELLI. To the layman's eye, there is a change in the direction of the Soviet military and the kinds of systems that they are building. They are moving to, possibly, large deck carriers, submarines on patrol for a longer period of time, and aircraft with longer ranges.

Is this merely the development of new technologies, or is this following a political decision to play a different role in the world?

Mr. **Holloway.** I think it is both. I think in some cases, they have wanted to do things but have not been able to do them and only now are able to—they keep submarines on patrol longer, or to lengthen the range of their submarine launched ballistic missiles so that the submarines can be on station longer.

But I think that it is also a result of political decisions, and in particular that the shift in deployment of the Soviet Navy from being essentially a coastal defense force to an oceangoing fleet in the 1960's, that this would result from a political decision, but one in which the Navy itself would have some role in making arguments, or elaborating a case for the Navy.

And Admiral Gorshkov, who has been Commander in Chief of the Navy since 1956, has, in fact, you know, written a book trying to explain what seapower means, and why a great state like the Soviet Union needs a great Navy.

Mr. **Torricelli.** Well, that really becomes the key to my question.

Looking at the combination of the political judgments to establish bases in places like Cam Ranh Bay, increasing naval presence in Cuba, and the development of large deck carriers and long patrolled submarines; does this follow a political decision as well, that in future regional conflicts the Soviet Union would like to play a larger role, or would have played a larger role in the past if it had had these technologies, and therefore, has decided to possess them?

Has there been that kind of frustration that will lead to a change in approach?

Mr. **Holloway.** I think there was—there has been frustration at the inability to project military power, and there was a great deal of criticism of Khrushchev's policy, because Khrushchev declared that surface ships and aircraft and tanks and so on were obsolete, that you could just now rely on nuclear weapons and smaller armed forces.

There was a great criticism, a great deal of criticism of that from the military, and also within the party, that it was impossible to conduct the foreign policy of a great power unless you had the military forces to back that foreign policy up.

Mr. **Torricelli.** So this is no change of happenstance in the possession of new weapons? There is a desire to play a different foreign policy role in the world?

Mr. **Colton.** Sure, but that decision was taken a generation ago, really, and they have followed through on it, and I do not think that there is much that is likely to deter them from continuing with it in the future.

PROJECTIONS FOR SOVIET ECONOMIC GROWTH

Mr. **Torricelli.** Give me if you will your estimate of the projected economic growth of the Soviet Union through the rest of this decade, a number in which you would have confidence?

Mr. **Colton.** Well, Gorbachev has said that he would like to see the rate of growth increase by 1 or 2 percent a year.

So, if you would take 2, 2.5 percent as the kind of growth rates they have achieved since the late seventies, that suggests growth of 3 to 4 percent a year—something like that.

Mr. **Torricelli**. Do you think that is attainable?

Mr. **Colton**. No; I do not think it is doable without changes in structure. There may be a spurt for a year or two, as there probably will be this year because the discipline changes of the Andropov type will have that kind of an effect, but I do not think that there is much optimism among Western observers as to long-term, stable, balanced growth several percent higher than what they have now without serious internal changes.

THE PROCESS OF SOVIET WEAPONS DESIGN

Mr. **Torricelli**. There is a debate in our country about the tradeoff between technology and weapons systems and their simplicity for operation and repair.

Americans sometimes were startled by the relative simplicity of Soviet weapons systems when they are seen. Is this because they have stretched the limits of their own capabilities, or have they reached the same point themselves and decided to opt for simplicity?

Mr. **Holloway**. I think it reflects, on the one hand, the backwardness of technologies so that designers in designing systems have really not striven to include very advanced components and subsystems in the weapons system for fear that if they try to do that, then, they will put the success of their weapon in doubt because they would be relying on some supplier to supply them with the avionics or whatever.

So, I think the way in which the procurement system operates, and the way in which the whole defense sector is organized tends to encourage weapons designers and the design bureaus to use existing technology as much as possible off the shelf, and to go therefore, for relatively simple designs, and for designs that show a good deal of commonality because they are using components and subsystems embodied in other weapons, or a good deal of evolutionary change because they are just trying to improve what they have.

But I think against that that one sees great pressure on them, in fact, to develop more complex technology.

Mr. **Torricelli**. Pressure from above?

Mr. **Holloway**. Pressure from above and just pressure from the competition with the United States.

Mr. **Torricelli**. But the tendency at the production level is to remain simple for reliability purposes?

Mr. **Holloway**. I would—they make a virtue of necessity in this case, because I think that the pressure exists just in the system, not to go too complex.

Mr. **Colton**. Yes, but also managers are rewarded for producing more rather than better, by and large.

But——

Mr. **Torricelli**. I take it that is really the key to the answer.

Mr. **Colton**. There is some evidence of a change, although this evidence is hotly disputed in the West. It may be a little while before we are in agreement on what has happened, but there are those who argue that one of the things behind the slowdown in the Soviet military buildup after the mid-seventies was not that they were making less of an effort, but that they were getting less impressive results because they were reaching for technologies that they really could not work with. They were trying to design American using the Soviet planning and management machine, and they were having difficulties with it.

Now, one side effect of this, so it is argued is that when they realized that their own domestic technological machinery was not doing what it should that they started to reach more for foreign technology, just at a time when the United States was leading an effort to deny them high technology that might have military uses.

Mr. Torricelli. That actually leads to my next question.

Mr. Colton. Right.

SOVIET RELIANCE ON WESTERN TECHNOLOGY IN WEAPONS DESIGN

Mr. Torricelli. I only have a couple of questions left.

Do we overestimate the Soviet need for Western technology in their own defense program? It is a point of real concern here; I would be interested in your assessment of whether we seem to have it in the proper perspective.

Mr. Colton. Perhaps I will try that first briefly, but David Holloway is really better qualified to address it.

Yes, we may very well. At least, as long as the Soviets were still living in the relatively simple world that they inhabited until the last 5 or 10 years. There is a new publication which the Pentagon has put out, which is probably circulating widely on Capitol Hill these days, on Soviet defense technology, the effort to acquire Western and especially American technology.

This is a very interesting document. You should have a look at it. It is based partly on captured Soviet material, that fell into the hands of the Germans and French and was made available in the spring of 1985, and it details the internal Soviet arrangements for taking this stuff and building it into production. The military, by the way, is largely absent from the picture. It is mostly the military production ministries, not the Armed Forces themselves.

But even that document does not make claims that, you know, the whole Soviet military effort hinges on this attempt to buy or steal Western technology.

Mr. Torricelli. Is there one area of Soviet military technology which could best identify where there is?

Mr. Colton. Yes, electronics.

Mr. Torricelli. For aircraft missiles?

Mr. Colton. For the whole range.

Mr. Holloway. Across the whole board.

I think to answer your question that some statements have exaggerated the importance of foreign technology to the Soviet military effort, but it is also clear that the Soviet Union has made a pretty considerable effort to acquire foreign technology, either legally, if it can; or illegally if it cannot get it legally.

And in the 1970's and early eighties the main area in which they have looked has been electronics, but it is also the case that the Soviet homegrown research and development effort in electronics grew very rapidly in this same period; and I think they see this as making up for a lag in their own technology, but they are afraid of depending on their ability to acquire foreign technology.

SOVIET MILITARY PRODUCTION CAPABILITIES

Mr. Torricelli. Two final points: first, while it appears to me that we can debate whether, in fact, there is real parity in the arms at hand, there is a very real gap in the means of production.

I wonder if I could have your assessment of aircraft or ship production capabilities and the numbers of yards and factories available. Is there such a gap in the Soviet's favor?

Mr. Holloway. That is a difficult question for me to answer because I do not have the information on the U.S. capacity.

If you take the Soviet Union as a single country, and you consider that it produces most of the weapons systems for the Warsaw Pact as well as for itself, then it certainly has a very massive defense industry and in some areas, such as the production of ABM missiles components, it has production lines going that the United States does not have going.

Mr. Torricelli. Are they operating near their level of capacity? What is their expansion capability, in an emergency?

Mr. Holloway. I cannot give you a figure on that, except to say that I believe they could expand.

Mr. Torricelli. Do they have a sizable expansion capability?

Mr. Holloway. I believe so, and I think that if you look at the production figures for different types of weapons, say, back over the last 15 years, that there has been some turndown in output. This lies behind the CIA revision of its estimates of Soviet defense outlays. It looks as though some capacity is not being used.

Mr. Torricelli. That does exist?

Mr. Holloway. That does exist.

POTENTIAL FOR SOVIET BREAKOUT FROM EXISTING ARMS AGREEMENTS

Mr. Torricelli. Finally, then, one of the things that struck me as peculiar about Mr. Weinberger's letter about the ABM Treaty and SALT II is as it appears to me, that the Soviets are in a vastly better position to break out of both those treaties if they were to be terminated by either country.

I would be interested in your reaction to that. Who in fact has the advantage if there was a breakout point?

Mr. Holloway. To take the ABM Treaty first, I think it is true that the Soviet Union could move rapidly to the deployment of a nationwide defense, using so-called conventional or traditional ABM technologies, because it has production lines open for the upgrading of the existing Moscow systems.

I think there is no doubt that it could move out quickly there.

Mr. Torricelli. SALT II?

Mr. Holloway. For SALT II, it also has production lines going for its ICBM's and SLBM's, and so could perhaps intensify or perhaps just stop the drawdown or retirement of the older systems.

Mr. Colton. Could I just say briefly on the business of the capacity to expand that explosives and munitions aside many of the pieces of equipment with which modern war is fought are produced in plants that also produce civilian goods, and this is without any question the case in the Soviet Union.

So, a plant may be producing radars in one shop and televisions in another. It may be producing, as is common, Soviet aircraft plants, military fighters and bombers as well as civilian passenger aircraft. So that capacity is there in most modern economies, and the Soviets see it as a strength of theirs, but it can work in either direction.

Mr. **Torricelli.** It is also my impression, though, that that is much more true for their economy than ours, their production facilities are built with that change in mind, whereas ours are not. It gives them an added expansion capability that we do not possess.

Mr. **Holloway.** That is probably true.

It is a matter of degree.

Mr. **Torricelli.** Thank you, Mr. Chairman.

Mr. **Hamilton.** Mr. Lantos.

SOVIET-EAST EUROPEAN MILITARY RELATIONS

Mr. **Lantos.** Thank you, Mr. Chairman.

I would like to shift the topic to two areas: One, military relations between the Soviet Union and the associated Eastern European countries; and the second the impact of the Afghan experience on the Soviet military.

Let me ask you to deal with the first.

In many comparisons between NATO and the Warsaw Pact, there is what appears to me to be an unwarranted assumption that we are dealing with fundamentally parallel constructs. In point of fact it appears to me that that Warsaw Pact is a very tenuous reality and in many ways it is a myth, given the historic antipathy towards Russia by most of the constituents.

I wonder if both of you could address yourselves to the issue of whether the Warsaw Pact beyond numerically adding up columns represents a cohesive military unit, what are the weaknesses and what are the vulnerabilities?

Mr. **Holloway.** I think what you say is quite right: that it is a mistake to equate the two organizations. The relationship between the United States and its allies in NATO are very different than those between the Soviet Union and the other members of the Warsaw Pact. They are much more on the level of political equality in NATO.

I think the Soviet Union controls the institutions of the pact in a very tight way to maintain control over the other members of the pact and imposes uniform military doctrine on them. Essentially they are largely equipped with Soviet weapons, and they exercise together.

I think one can argue that this in fact gives the pact some military advantages not in terms of cohesion but in terms of uniformity of forces. I think the great weakness in the pact is the whole question of the reliability of the non-Soviet forces in the pact.

I think this is very difficult question to give a clear cut answer to. My own belief is that in a short war or a short campaign it is quite possible that the discipline imposed by military institutions would ensure that the non-Soviet members would fight.

In other words when troops are fired at, they are trained to fire back and they are likely to do so. If there were a long conventional war in Europe, then I think the issue might be quite different, that strains might show within in the forces of the pact, but a lot might depend on the actual situation.

All one can say I think is that it must be a matter of concern to the Soviet Union about the reliability of its forces in the pact, and the safety of its supply lines through eastern Europe. But even here one would want to distinguish between the different member countries.

It might well be for example that in certain kinds of conflicts the East German Army would be reliable. It is well trained and perhaps the best equipped of the other members of the pact. The Czech, Hungarian, and Polish forces might be much less reliable, but one moves I am afraid very quickly into an area of speculation here. It is difficult to give a very clear cut answer.

Mr. **LANTOS**. Dr. Colton.

Mr. **COLTON**. I agree with what Dr. Holloway has said. This is the sort of thing that we have no conclusive test for, but there simply has to be uncertainty in the minds of the Soviet leaders, and I think we can feel reasonably confident that there is.

If there was not, then we would have good reason to worry. Dr. Holloway mentioned the potential importance of the length of the conflict. The longer the war, the harder it would be to keep the Warsaw Pact team together.

Another distinction would be between an offensive and a defensive campaign in Europe. I think it is important for the—it would be important for the cohesion of this alliance that any European conflict at least seem to be defensive from the Warsaw Pact point of view, and in fact this is something that is quite important even in managing the Soviet forces themselves.

So what I am saying is that the Hungarian or Czechoslovak or Polish forces might be quite a bit more likely to fight with their Soviet allies and bosses in a defensive situation than in an offensive one.

THE SOVIET MILITARY IN AFGHANISTAN

Mr. **LANTOS**. Could I turn to the Afghan picture? One would think that it had to be quite an embarrassment for the Soviet military high command to have to wage, on as large a scale as they are waging, a protracted war against guerrilla forces. What has been the impact on the Soviet military in terms of morale, in terms of strategic thinking, and in terms of tactical changes?

Mr. **HOLLOWAY**. I find that a very difficult question to answer because if there is embarrassment, then they have taken pains to hide that embarrassment. The war has not received a great deal of publicity in the Soviet press.

Of course, it is reported, but it is not reported in such a way as to try to whip up national sentiment. I think it is not something undertaken because of some domestic weakness.

I think it is easiest to see changes in tactics because there has been an adaptation to fighting guerrilla forces in mountainous terrain, and the Soviet military journals do now contain articles which are clearly drawing on their experience in Afghanistan.

I think their strategic thinking has not been affected. I do not see any signs there that there has been a major shift or reorientation or even a link drawn between the conflict in Afghanistan, and the major strategic relationship with the United States except perhaps that foreign, military adventures are now seen to be more problematic and more difficult than might perhaps have been anticipated.

Also the influence on morale, the very fragmentary evidence that I have seen—and I have not made a special study of this—suggests that it has had quite a bad influence on morale in Afghanistan and perhaps intensified some of those social trends that Dr. Colton referred to in his opening statement.

The portrayal in the Soviet press has been very much to appeal to heroism and try to show the link between the traditions of the war against Germany and the heroism of Stalingrad, if you like, and the troops and officers who are fighting now in Afghanistan. That is the way in which these troops or the stories tend to be presented.

Mr. **Lantos**. Dr. Colton.

Mr. **Colton**. Well, that is the way the stories are presented. Until quite recently the Soviet press did not acknowledge that Soviet personnel were actually fighting in Afghanistan. This myth has now been exploded. The line on this has changed, and I do not think this has increased the confidence of the public too much in the wisdom of the leadership in making decisions such as the one in December 1979.

Mr. **Lantos**. Thank you, Mr. Chairman.

SOVIET SPENDING ON STRATEGIC DEFENSE

Mr. **Hamilton**. The Secretary of Defense has talked about Soviet spending on strategic defense, and he suggests that their efforts are far more extensive than the United States. They have extensive active defense systems which utilize weapons systems to protect national territory, military forces, or key assets.

They have done a lot of work in air defense, ballistic missile defense based on current technologies and research and development on advanced defense against ballistic missiles. Can you put in prospective for us what the Soviet effort is in strategic defense as opposed to what you think the United States is launching upon?

Mr. **Holloway**. I think if you take the broad definition of strategic defense to cover air defense, then there is a very big Soviet effort. There is a very extensive Soviet air defense network, and a separate service of the air defense forces.

The Soviet Union also, under the terms of the ABM Treaty has maintained an ABM system around Moscow which it is now in the process of upgrading, and I believe that the kinds of systems, intercepter missiles and the radar systems that are being installed embody technology which is more or less equivalent to that in the United States safeguard system of 10 years ago, its similar kinds of intercepter missiles, both for interception within the atmosphere and outside the atmosphere.

So this indicates the continuing interest in providing at least some degree of protection for the Soviet capital against nuclear attack whether from the United States or perhaps more relevantly China.

In the area of advanced ABM technologies, I think it is true that the Soviet Union has had a research program, a research effort underway since the 1960's to develop directed energy weapons, high energy lasers.

Mr. **HAMILTON**. Do you think they are ahead of us?

Mr. **HOLLOWAY**. No, I do not believe they are ahead because the United States even before the President's star wars speech in March 1983 also had a research program in this area. Most of the assessments that I have heard say that the Soviet work on lasers and directed energy is about on a par with that of the United States.

They have chosen some different paths to go, but about on a par, but in one of the key technologies which would be essential for any kind of space based ABM system, namely, computers and data handling, they lag behind.

Mr. **HAMILTON**. How far behind?

Mr. **HOLLOWAY**. The usual estimate that I read is 3 to 5 years. This is a——

Mr. **HAMILTON**. In their strategic thinking have they ever thought in terms of being able to destroy all of the strategic missiles that we might fire at them before those missiles reach their soil?

In other words have they thought in terms of a comprehensive system like the President has in mind?

Mr. **HOLLOWAY**. They did think and write before the late 1960's in terms of providing an ABM defense of the whole country, but I never saw it claimed except for one remark that Khruschev once made about being able to hit a fly in space. I never saw it claimed that they could get a perfect defense, merely that they could have some kind of defense.

They produced both military arguments for this and also the argument that these were defense systems merely providing defense, and therefore could not be an element in the arms race.

Mr. **HAMILTON**. Is it accurate to say that the Soviet efforts in most phases of strategic defense have been much more extensive than the United States?

Mr. **HOLLOWAY**. It has been true in air defenses. It has been true in conventional ABM technologies because the United States has decommissioned its ABM system around Grand Forks missile base. I am not sure in the area of advanced technologies for ABM. My understanding is there the efforts are rather comparable, or have been.

SOVIET MILITARY DOCTRINE ON NUCLEAR WAR

Mr. **HAMILTON**. With respect to Soviet military doctrine, is it Soviet policy now to fight and win a nuclear war?

Mr. **HOLLOWAY**. The Soviet party leaders and the Soviet military leaders have said that a nuclear war would lead to catastrophic consequences for both sides. Gorbachev has said there could be no winners in such a war.

I think that that is the prevailing, at least declared position. At the same time——

Mr. **Hamilton**. So that it is not their doctrine to win in a nuclear war?

Mr. **Holloway**. It is not their doctrine. That used to be. They did write extensively at one time about fighting and winning a nuclear war.

Mr. **Hamilton**. But no longer.

Mr. **Holloway**. But no longer.

Mr. **Colton**. Those who claim that and who are most visible in making these statements, many of which were made I think to boost civilian morale as much as anything else, have been silenced. They do not say them anymore.

Mr. **Hamilton**. Like who?

Mr. **Colton**. Oh, Admiral Shelyag, people who are by and large associated with propagandistic work in the forces.

Mr. **Hamilton**. Do you have any reason to think that in their doctrine they are trying to get a first strike capability against us?

Mr. **Holloway**. I do not think—my understanding is that they do not think that they could acquire such an ability, such a capability. However, they have developed systems which do have the capability to strike at hardened targets in the United States, ICBM silos or hardened command and control centers.

I think that they understand that no matter what they did, the United States would be able to retaliate in a devastating way against them. They claim that they would be able to do the same thing against the United States.

SOVIET DOCTRINE ON NO-FIRST-USE OF NUCLEAR WEAPONS

Mr. **Hamilton**. Now, what is their view on the use of nuclear weapons in Europe if a conventional war should break out in Europe? Our doctrine as I understand it is that we would resort to nuclear weapons if the conventional battle goes against us. What is their doctrine?

Mr. **Holloway**. The trend in Soviet doctrine is toward the view that the main purpose of their nuclear forces is to deter NATO from resorting to its nuclear weapons in the event of a conflict in Europe, and thereby to give them the opportunity to implement the so-called conventional option.

Mr. **Hamilton**. They have not taken a no first use position?

Mr. **Holloway**. Yes, they have.

Mr. **Hamilton**. They have taken the position?

Mr. **Holloway**. They announced that in 1982.

Mr. **Hamilton**. Is that worldwide or just Europe?

Mr. **Holloway**. Worldwide.

Mr. **Hamilton**. They are clearly on record as saying we will not use nuclear weapons first?

Mr. **Holloway**. Yes.

Mr. **Hamilton**. Is that right?

Mr. **Holloway**. Yes.

Mr. Hamilton. I suppose that reflects a confidence, does it not, in their conventional capabilities?

Mr. Holloway. Well, there is controversy as to what it reflects. Whether it reflects Soviet deceitfulness in making such a statement, and what does such a declaratory position actually mean because they still have various kinds of nuclear systems in Europe?

My view is that although statements like that may or may not mean something, it does fit in with the trend in their doctrine which is to try to raise the nuclear threshold in Europe. I suppose in that sense it does reflect two things, some confidence in their own conventional forces, but also awareness that if nuclear war begins, escalation is very likely to higher and higher levels and that in some real sense nuclear war is not winnable. Therefore you really must avoid getting into it.

SOVIET SPENDING ON STRATEGIC AND CONVENTIONAL FORCES

Mr. Hamilton. Do they spend in their defense budget about the same percentage as we spend on strategic weapons versus the amount we spend on conventional weapons? What percentage of their defense budget would go to strategic weapons for example?

Mr. Colton. It is less than 20.

Mr. Holloway. I believe it is about 20. The only figures we have are CIA breakdowns, and they do not go later than the late 1970's. I believe that for all strategic forces, not just strategic rocket forces, it breaks down at about 20 percent.

Mr. Colton. Yes.

Mr. Holloway. So that I believe is somewhat higher than the figure for the U.S.

THE USE OF SOVIET FORCE IN THE THIRD WORLD

Mr. Hamilton. I think ours is a few percentage points below but not much. Now, during the 1970's we had a lot of instances of Soviet use of forces outside the Soviet Union borders—Angola, Ethiopia, Afghanistan.

It is generally thought now that they are bogged down in Afghanistan, and the battle is not going one way or the other very much. Do you believe that the experience of the 1970's has caused the Soviets to rethink the place and use of U.S.S.R. military forces?

Mr. Colton. I think it has. The experience of the 1970's, that is the external experiences of the 1970's coupled with their own internal difficulties have led them to shift the emphasis in their thinking somewhat. They are less sanguine these days about the Third World in general.

They are less optimistic. They seem to have less confidence in their ability to move things in the direction they want them to move. They are less confident in their ability to use the whole range of instruments, including military ones.

That is not to say that they would never under any circumstances use them, but they do seem to be moving toward restraint. This point was made by Andropov very clearly, and it has been restated by Gorbachev.

STATUS OF THE MILITARY IN THE DECISIONMAKING PROCESS

Mr. **Hamilton**. I am interested in the place of the military in the structure. Is it your sense that under the new man, Gorbachev, that the Soviet military is rising in power in the structure, or not? You mentioned the fact that they really do not have a full Politburo member which strikes me at least as strange. What is your assessment of where the military stands?

Mr. **Colton**. Well, I would say I feel quite confident in saying that it is not rising. As to whether it is actually falling, I am not so sure that we really know yet.

As I mentioned in my preliminary remarks, it is possible to imagine Gorbachev and his allies within the civilian leadership reaching out into the military establishment and finding an ally or two as sympathizers who feel with them that it is all important that the Soviet Union modernize and as they say accelerate its socioeconomic development.

Had Ogarkov been selected as such an ally, then I would have not been that surprised, but that has not happened yet.

PARTY PROGRAM DRAFT ON CIVIL-MILITARY RELATIONS

Mr. **Hamilton**. The draft of the new party program emphasizes rather strikingly, I am told, more so than its predecessors, party control over the military, and calls for expanding the party's influence in military activities. That is consistent I guess with your view. Have you seen that?

Mr. **Holloway**. Yes, I have seen the——

Mr. **Hamilton**. Do we have a correct impression?

Mr. **Holloway**. I did not compare it with the earlier program, but certainly the stress is there on party control, and I would be a little bit more inclined than Dr. Colton to say that the institutions that have emerged from the recent political changes in the political leadership, the institutions that have emerged stronger are really the central party institutions.

The party secretariat in particular has been strengthened by bringing in new people.

Mr. **Hamilton**. Do you see these moves by Gorbachev as causing him problems down the road with the military? Is he running a risk here of excluding the military?

Mr. **Colton**. Well, problems in the sense that the military as the uniformed auxiliary of the party may say if things do not go right; "we told you so." But under present arrangements the civilian leadership does not rely for continuance in power on the active consent of the military.

I think that part of the situation confronting civilian leadership right now has to do as much with defense industry as it does with the military establishment itself.

GORBACHEV'S RELATIONS WITH THE MILITARY

Mr. **Hamilton**. Do you have the impression that Gorbachev has a good working relationship with the military?

Mr. **Colton**. No. I do not have the impression that he has a strong direct link with them at all, and he is very different in that respect from most previous Soviet leaders.

Mr. **Hamilton**. He does not have a strong what?

Mr. **Colton**. Working relationship, a direct working relationship that would rest on an association prior to his becoming leader.

Mr. **Hamilton**. Did he have any high military figure with him at Geneva?

Mr. **Holloway**. I do not think—General Chervov who is a deputy chief of the general staff was there, but he is the spokesman on arms control issues. He was at Geneva.

RECENT INCIDENTS INVOLVING THE SOVIET MILITARY

Mr. **Hamilton**. On another topic, events like the shooting of Major Nicholson and the shooting down of the KAL 007 flight, how do you explain those things? Is that a matter of just incompetence by the Soviet military or is it a matter of intent that they are going to knock off an American military person driving around East Germany from time to time just to keep us on our toes?

Mr. **Holloway**. It is difficult to——

Mr. **Hamilton**. Who makes that kind of a decision?

Mr. **Holloway**. If there were a decision to, as you put it, knock off an American in East Germany, then if it were an authoritive decision, it would have to come right from the top.

Mr. **Hamilton**. What is your view of those instances?

Mr. **Holloway**. On the 007 incident my view is that that was an implementation of the standard operating procedures for air defense which operated rather incompetently but shot down an intruding aircraft. Now I do not see that as being the result of some political decision taken say in the Politburo.

Mr. **Hamilton**. In other words they had a decision prior or policy decision to fire on an intruding aircraft?

Mr. **Holloway**. I think the rules for engagement are or were that if an aircraft intruded, they should try to bring it down, and if not they should fire. They were I believe very incompetent in trying to make contact to bring the airliner down, and then they shot it 2 minutes before it flew out of Soviet air space.

Mr. **Hamilton**. We have got a lot of questions for you, but unfortunately I have got another engagement here coming right up. I want to thank both of you for your testimony. I think it has been excellent and helpful to us.

Both of you have travelled quite a ways. We are very pleased to have had you here. Thank you for your testimony.

Mr. **Colton**. Thank you.

Mr. **Holloway**. Thank you very much.

Mr. **Hamilton**. The subcommittee stands adjourned.

[Whereupon, at 3:32 p.m., the subcommittee adjourned, subject to the call of the Chair.]

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APPENDIX

BIOGRAPHIES OF WITNESSES

TIMOTHY J. COLTON

T. J. C. was educated at the University of Toronto and Harvard University. He has taught since 1974 at the University of Toronto, where he is now Professor of Political Science and Director of the Centre for Russian and East European Studies. His field of specialty is Soviet politics. He is the author of *Commissars, Commanders, and Civilian Authority: The Structure of Soviet Military Politics* (Cambridge, Mass.: Harvard University Press, 1979) and *The Dilemma of Reform in the Soviet Union* (New York: Council on Foreign Relations, 1984). He is currently writing a study of the government and politics of the city of Moscow and co-editing a book on trends in civil-military relations in the Soviet Union.

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Previous positions: Director, Soviet and East European Studies, Foreign Service Institute, U.S. Department of State, 7/76–7/84; Associate Chairman, Dept. of Sociology, U. of Michigan, 7/73–6/75; Assistant Professor, Dept. of Sociology, U. of Michigan, 7/69–6/76; and Lecturer, Dept. of Sociology, U. of Michigan, 7/68–6/69.

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Languages: English (native), Russian, Hungarian.

Professional Committees, Editorial Boards (selected): Managing Editor, *Soviet Economy* Chairman, Joint Committee on Eastern Europe.

Books: *Foreign Trade Prices in CMEA*, Cambridge University Press, 1974; *Energy, Economics, and Foreign Policy in the Soviet Union*, Washington, D.C.: Brookings Institution, 1984; and *Reforming the Soviet Economic System*, Washington, D.C., Brookings Institution, forthcoming 1986.

Articles and Chapters in Books: "A Model of Foreign Trade Planning in an East European-Type Economy." In *Economic Analysis of the Soviet-Type System*, J. Thornton (ed.), Cambridge University Press, 1976; "Alternative Econometric Approaches for Studying the Link Between Economic Systems and Economic Outcomes," *Journal of Comparative Economics*, Volume 4, Number 3, (September 1980), pp. 274–94; "On Differences in Foreign Trade Behavior of Eastern and Western Economies," in Paul Marer and J.M. Montias (eds.), *East European Integration and*

East-West Trade (Bloomington: Indiana University Press, 1980), pp. 41–69; "The Hungarian Economy: Lessons of the 1970's and Prospects for the 1980's," in U.S. Congress, Joint Economic Committee, *East European Economic Assessment* (Washington, D.C.: GPO, 1981), pp. 483–524; "Foreign Economic Relations," in A. Berson and H. Levine (eds.), *The Soviet Economy: Toward the Year 2000* (London: George Allen and Unwin, 1983), pp. 269–310; and "Economic Reform in the Soviet Union," *The Brookings Review*, Vol. 2, No. 2, Spring 1984, pp. 8–11.

DAVID HOLLOWAY

David Holloway is Senior Research Associate at the Center for International Security and Arms Control, Stanford University, on leave from the University of Edinburgh, Scotland, where he is Reader in Politics. He is the author of *The Soviet Union and the Arms Race* (2nd ed. 1984), co-author of the *The Reagan Strategic Defense Initiative: A Political, Technical and Arms Control Assessment* (1985), and coeditor of *The Warsaw Pact: Alliance in Transition?* (1984).

MARTHA BRILL OLCOTT

Professor Martha Brill Olcott, Associate Professor of Political Science and Chairman of the Department; author of numerous articles including World Politics, Soviet Studies, Russian Review; forthcoming work, *The Kazakhs*, (Hoover Institution Press). Ph.D. University of Chicago, 1978.

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